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RANKIN COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2016**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Rankin County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Rankin County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 11, 2016, on my consideration of the Rankin County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rankin County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Ridgeland, MS
November 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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RANKIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The following discussion and analysis of the Rankin County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$6,755,474, including a prior period adjustment of \$293, which represents a 21% decrease from fiscal year 2015. Total net position for 2015 decreased \$178,341,785, including a prior period adjustment of (\$184,447,527), which represents a 122% decrease from fiscal year 2014.
- General revenues amounted to \$150,646,055 and \$141,144,818, or 85% and 84% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$27,116,809, or 15% of total revenues for 2016, and \$27,746,645, or 16% of total revenues for 2015.
- The District had \$184,518,631 and \$162,785,721 in expenses for fiscal years 2016 and 2015; only \$27,116,809 for 2016 and \$27,746,645 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$150,646,055 for 2016 were not adequate to provide for these programs. General Revenues of \$141,144,818 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$144,623,171 in revenues and \$145,855,108 in expenditures for 2016, and \$137,381,564 in revenues and \$136,924,994 in expenditures in 2015. The General Fund's fund balance increased by \$1,613,725, including a prior period adjustment of \$293, from 2015 to 2016, and increased by \$1,687,388 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$1,068,613 for 2016 and decreased by \$439,638 for 2015. The increase for 2016 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$1,724,070 for 2016 and decreased by \$10,291,541 for 2015. This increase for 2016 was due primarily to the issuance of three mill notes and obligations under capital leases. The liability for compensated absences increased by \$37,732 for 2016 and decreased by \$32,493 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$39,287,431 as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 29,508,713	\$ 39,974,426	(26.18) %
Restricted assets	30,760,894	14,832,301	107.39 %
Capital assets, net	156,981,110	155,912,497	0.69 %
Total assets	217,250,717	210,719,224	3.10 %
Deferred outflows of resources	32,455,631	16,779,064	93.43 %
Current liabilities	1,677,566	1,667,768	0.59 %
Long-term debt outstanding	61,516,777	59,792,707	2.88 %
Net pension liability	221,049,800	172,657,564	28.03 %
Total liabilities	284,244,143	234,118,039	21.41 %
Deferred inflows of resources	4,749,636	25,912,206	(81.67) %
Net position:			
Net investment in capital assets	106,781,946	97,132,941	9.93 %
Restricted	25,940,924	26,199,951	(0.99) %
Unrestricted	(172,010,301)	(155,864,849)	(10.36) %
Total net position	\$ (39,287,431)	\$ (32,531,957)	(20.77) %

Additional information on unrestricted net position:

In connection with the application of standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$(172,010,301)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	193,343,805
Unrestricted net position, exclusive of the net pension liability effect	<u>\$21,333,504</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$1,068,613.

- The principal retirement of \$10,751,527 of long-term debt.
- Inclusion of net pension liability of \$221,049,800.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$177,762,864 and \$168,891,463, respectively. The total cost of all programs and services was \$184,518,631 for 2016 and \$162,785,721 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 10,003,960	\$ 8,715,415	14.78 %
Operating grants and contributions	17,112,849	19,031,230	(10.08) %
General revenues:			
Property taxes	62,892,451	59,050,768	6.51 %
Grants and contributions not restricted	84,527,461	79,839,567	5.87 %
Investment earnings	37,773	186,671	(79.76) %
Sixteenth section sources	2,672,360	1,920,951	39.12 %
Other	516,010	146,861	251.36 %
Total revenues	177,762,864	168,891,463	5.25 %
Expenses:			
Instruction	94,349,218	89,112,761	5.88 %
Support services	52,019,138	50,022,292	3.99 %
Non-instructional	9,334,243	9,450,282	(1.23) %
Sixteenth section	276,461	269,493	2.59 %
Pension expense	26,477,019	11,375,359	132.76
Interest on long-term liabilities	2,062,552	2,555,534	(19.29) %
Total expenses	184,518,631	162,785,721	13.35 %
Increase (Decrease) in net position	(6,755,767)	6,105,742	(210.65) %
Net Position, July 1, as previously reported	(32,531,957)	145,809,828	(122.31) %
Prior Period Adjustment	293	(184,447,527)	100.00 %
Net Position, July 1, as restated	(32,531,664)	(38,637,699)	15.80 %
Net Position, June 30	\$ (39,287,431)	\$ (32,531,957)	(20.77) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u> <u>Change</u>
	<u>2016</u>	<u>2015</u>	
Instruction	\$ 94,349,218	\$ 89,112,761	5.88 %
Support services	52,019,138	50,022,292	3.99 %
Non-instructional	9,334,243	9,450,282	(1.23) %
Sixteenth section	276,461	269,493	2.59 %
Pension Expense	26,477,019	11,375,359	132.76 %
Interest on long-term liabilities	2,062,552	2,555,534	(19.29) %
Total expenses	\$ 184,518,631	\$ 162,785,721	13.35 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (79,421,179)	\$ (76,302,775)	4.09 %
Support services	(48,250,770)	(45,412,381)	6.25 %
Non-instructional	(913,841)	838,998	(208.92) %
Sixteenth section	(276,461)	(232,025)	19.15 %
Pension Expense	(26,477,019)	(11,375,359)	132.76 %
Interest on long-term liabilities	(2,062,552)	(2,555,534)	(19.29) %
Total net (expense) revenue	\$ (157,401,822)	\$ (135,039,076)	16.56 %

- Net cost of governmental activities (\$157,401,822 for 2016 and \$135,039,076 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$62,892,451 for 2016 and \$59,050,768 for 2015) and state and federal revenues (\$84,527,461 for 2016 and \$79,839,567 for 2015). In addition, there was \$2,672,360 and \$1,920,951 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$37,773 for 2016 and \$186,671 for 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$59,155,375, an increase of \$5,597,778, which includes a prior period adjustment of \$293 and an increase in inventory of \$43,744. \$19,971,050 or 34% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$39,184,325 or 66% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,613,725, which includes a prior period adjustment of \$293. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,944,884, which includes an increase in reserve for inventory of \$43,744. The increase (decrease) in the fund balances for the other major funds were as follows:

Title I Fund	\$	no increase or decrease
EHA (IDEA) Fund		no increase or decrease
Three Mill 12 YR-2016 Fund		5,946,983
Sixteenth Section Principal Fund		981,954

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue fund(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$237,374,371, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$5,993,522 from 2015. Total accumulated depreciation as of June 30, 2016, was \$80,393,261, and total depreciation expense for the year was \$5,115,522, resulting in total net capital assets of \$156,981,110.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 10,316,388	\$ 10,316,388	0.00 %
Construction in Progress	2,888,919	2,313,249	24.89 %
Buildings	134,837,896	134,891,433	(0.04) %
Building improvements	3,103,073	2,933,621	5.78 %
Mobile equipment	5,123,410	4,774,877	7.30 %
Furniture and equipment	711,424	682,929	4.17 %
Total	\$ 156,981,110	\$ 155,912,497	0.69 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2016, the District had \$61,516,777 in outstanding long-term debt, of which \$10,516,696 is due within one year. The liability for compensated absences increased \$37,732 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	25,370,000	29,890,000	(15.12) %
Three mill notes payable	31,150,000	26,835,000	16.08 %
Premium on debt issued	242,484	272,795	(11.11) %
Obligations under capital leases	3,703,410	1,781,761	107.85 %
Compensated absences payable	1,050,883	1,013,151	3.72 %
Total	\$ 61,516,777	\$ 59,792,707	2.88 %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Rankin County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future. The District actively pursues grant funding to supplement local, state and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

BASIC FINANCIAL STATEMENTS

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RANKIN COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 25,248,151
Due from other governments	3,639,178
Accrued interest receivable	37,885
Other receivables, net	219,069
Inventories	364,382
Prepaid items	48
Restricted assets (Note 4)	30,760,894
Non-depreciable capital assets (Note 5)	13,205,307
Depreciable capital assets, net (Note 5)	143,775,803
Total Assets	<u>217,250,717</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	32,455,631
Total Deferred Outflows of Resources	<u>32,455,631</u>
Liabilities	
Accounts payable and accrued liabilities	1,071,711
Interest payable on long-term liabilities	563,334
Other payables	42,521
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	8,360,000
Premium on bonds payable	30,311
Non-capital related liabilities	2,126,385
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	48,160,000
Premium on bonds payable	212,173
Non-capital related liabilities	2,627,908
Net pension liability (Note 7)	221,049,800
Total Liabilities	<u>284,244,143</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	4,749,636
Total Deferred Inflows of Resources	<u>4,749,636</u>
Net Position	
Net investment in capital assets	106,781,946
Restricted net position	
Expendable	
School-based activities	5,506,772
Debt service	2,188,676
Contractual commitments	1,879,138
Forestry improvements	208,637
Unemployment benefits	468,095
Non-expendable	
Sixteenth section	15,689,606
Unrestricted	<u>(172,010,301)</u>
Total Net Position	<u>\$ (39,287,431)</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 94,349,218	6,996,324	7,931,715	(79,421,179)
Support services	52,019,138		3,768,368	(48,250,770)
Non-instructional	9,334,243	3,007,636	5,412,766	(913,841)
Sixteenth section	276,461			(276,461)
Pension expense	26,477,019			(26,477,019)
Interest on long-term liabilities	2,062,552			(2,062,552)
Total Governmental Activities	184,518,631	10,003,960	17,112,849	(157,401,822)
General Revenues				
Taxes				
				53,507,160
				9,385,291
Unrestricted grants and contributions				
				84,105,415
				422,046
				37,773
				2,672,360
				516,010
				<u>150,646,055</u>
Changes in Net Position				
				<u>(6,755,767)</u>
Net Position - Beginning, as previously reported				
				(32,531,957)
				293
Net Position - Beginning - as restated				
				<u>(32,531,664)</u>
Net Position - Ending				
				<u>\$ (39,287,431)</u>

The notes to the financial statements are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	EHA (IDEA) Fund	Three Mill 12 YR-2016 Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents (Note 2)	\$ 25,248,151			6,563,320	810,245	8,390,049	41,011,765
Investments (Note 2)					14,997,280		14,997,280
Due from other governments	2,019,536	473,563	453,219			692,860	3,639,178
Accrued interest receivable	137,107				37,885	6,962	37,885
Other receivables, net	1,233,317						144,069
Due from other funds (Note 3)	75,000						1,233,317
Advances to other funds (Note 3)							75,000
Inventories							364,382
Prepaid items						48	48
Total Assets	28,713,111	473,563	453,219	6,563,320	15,845,410	9,454,301	61,502,924
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	264,869			616,322		190,520	1,071,711
Due to other funds (Note 3)	4,226	473,563	453,219			306,535	1,237,543
Other payables	38,295						38,295
Total Liabilities	307,390	473,563	453,219	616,322	0	497,055	2,347,549
Fund Balances							
Nonspendable							
Inventory					15,689,606		15,689,606
Permanent fund principal						364,382	364,382
Advances	75,000						75,000
Prepaid items							48
Restricted							
Debt service							
Contractual commitments	2,493,749			5,946,998		2,752,010	2,752,010
Forestry improvements						1,711	8,442,458
Unemployment benefits						208,637	208,637
Grant activities						468,095	468,095
Committed						5,142,342	5,142,342
Capital projects - athletic facilities	768,500						768,500

Assigned									
Capital projects - athletic facilities	1,587,251								1,587,251
Bus acquisition	500,000								500,000
Special education	497,824								497,824
Alternative school	153,278								153,278
At risk program	16,519								16,519
Extended day enrichment program	660,203								660,203
Self insurance - computers	208,597								208,597
School activities	1,473,750								1,473,750
R-PAL adult learning program								19,726	19,726
Other purposes								295	156,099
Unassigned	19,971,050						155,804		19,971,050
Total Fund Balances	<u>28,405,721</u>	<u>0</u>	<u>0</u>	<u>5,946,998</u>	<u>15,845,410</u>	<u>8,957,246</u>	<u>59,155,375</u>		
Total Liabilities and Fund Balances	<u>\$ 28,713,111</u>	<u>473,563</u>	<u>453,219</u>	<u>6,563,320</u>	<u>15,845,410</u>	<u>9,454,301</u>	<u>61,502,924</u>		

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2016

Exhibit C-1

	<u>Amount</u>	
Total Fund Balance - Governmental Funds		\$ 59,155,375
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	10,316,388	
Construction in progress	2,888,919	
Buildings	194,986,991	
Building improvements	5,011,283	
Mobile equipment	17,857,233	
Furniture and equipment	6,313,557	
Accumulated depreciation	<u>(80,393,261)</u>	156,981,110
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(221,049,800)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	32,455,631	
Deferred inflows of resources related to pensions	<u>(4,749,636)</u>	27,705,995
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(25,370,000)	
Three mill notes payable	(31,150,000)	
Obligation under capital leases	(3,703,410)	
Compensated absences	(1,050,883)	
Unamortized premiums	(242,484)	
Accrued interest payable	<u>(563,334)</u>	<u>(62,080,111)</u>
Total Net Position - Governmental Activities		<u>\$ (39,287,431)</u>

The notes to the financial statements are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2016

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	EHA (IDEA) Fund	Three Mill 12 YR-2016 Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues							
Local sources	\$ 60,514,703			7,539		12,469,901	72,992,143
State sources	82,218,827					5,274,377	87,493,204
Federal sources	422,047	3,233,887	3,460,611			6,972,603	14,089,148
Sixteenth section sources	1,467,594				1,131,140	73,625	2,672,359
Total Revenues	144,623,171	3,233,887	3,460,611	7,539	1,131,140	24,790,506	177,246,854
Expenditures							
Instruction	89,105,166	2,043,166	1,837,096			7,282,719	100,268,147
Support services	51,590,866	1,003,527	1,560,593	867,015		1,493,022	56,515,023
Noninstructional services	2,188,311	153,193				8,012,301	10,353,805
Sixteenth section	226,087					50,374	276,461
Facilities acquisition and construction	166,709			1,004,791		3,056,907	4,228,407
Debt service							
Principal (Note 6)	2,546,527					8,205,000	10,751,527
Interest	31,442					2,049,855	2,081,297
Other				188,750		13,882	202,632
Total Expenditures	145,855,108	3,199,886	3,397,689	2,060,556	0	30,164,060	184,677,299
Excess (Deficiency) of Revenues Over Expenditures	(1,231,937)	34,001	62,922	(2,053,017)	1,131,140	(5,373,554)	(7,430,445)
Other Financing Sources (Uses)							
Proceeds of loans (Note 6)				8,000,000			8,000,000
Inception of capital leases (Note 6)	4,468,176						4,468,176
Insurances loss recoveries (Note 11)	513,713						513,713
Sale of transportation equipment	761						761
Sale of other property	4,724						4,724
Operating transfers in (Note 3)	335,138					2,492,917	2,828,055
Operating transfers out (Note 3)	(2,473,955)	(34,001)	(62,922)		(149,186)	(107,991)	(2,828,055)
Other financing uses	(3,188)						(3,188)
Total Other Financing Sources (Uses)	2,845,369	(34,001)	(62,922)	8,000,000	(149,186)	2,384,926	12,984,186
Net Change in Fund Balances	1,613,432	0	0	5,946,983	981,954	(2,988,628)	5,553,741

Fund Balances									
July 1, 2015, as previously reported	26,791,996	0	0	15	14,863,456	11,902,130	53,557,597		
Prior period adjustments	293						293		
July 1, 2015, as restated	<u>26,792,289</u>	<u>0</u>	<u>0</u>	<u>15</u>	<u>14,863,456</u>	<u>11,902,130</u>	<u>53,557,890</u>		
Increase in reserve for inventory	0	0	0	0	0	43,744	43,744		
June 30, 2016	<u>\$ 28,405,721</u>	<u>0</u>	<u>0</u>	<u>5,946,998</u>	<u>15,845,410</u>	<u>8,957,246</u>	<u>59,155,375</u>		

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2016

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 5,553,741

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:

Capital outlay	6,211,352	
Depreciation expense	(5,115,522)	1,095,830

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(27,217)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(8,000,000)	
Obligations under capital lease issued	(4,468,176)	
Payments of debt principal	10,751,527	
Accrued interest payable	2,316	(1,714,333)

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	14,776,908	
Pension expense for the current year	(26,477,019)	(11,700,111)

Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Change in compensated absences	(37,732)	
Change in inventory reserve	43,744	
Amortization of premiums	30,311	36,323

Changes in Net Position of Governmental Activities	\$ (6,755,767)
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The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2016

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 159,719	6,659,926
Due from other funds (Note 3)		<u>4,226</u>
Total Assets	<u>159,719</u>	<u>6,664,152</u>
Liabilities		
Accounts payable and accrued liabilities		5,898,674
Advances from other funds (Note 3)		75,000
Due to student clubs		<u>690,478</u>
Total Liabilities		<u>6,664,152</u>
Net Position		
Reserved for endowments	<u>159,719</u>	
Total Net Position	<u>\$ 159,719</u>	

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 30
Contributions and donations from private sources	1,460
Total Additions	<u> 1,490</u>
Deductions	
Scholarships awarded	1,000
Dues Fees	1,292
Total Deductions	<u> 2,292</u>
Changes in Net Position	<u> (802)</u>
July 1, 2015	<u> 160,521</u>
June 30, 2016	<u><u> \$ 159,719</u></u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, the School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

Title I Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

EHA (IDEA) Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

Three Mill 12 Yr-2016 Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a 3 mill note.

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Scholarship Funds - These funds are private purpose funds that serve to report all trust arrangements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements.

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Construction in progress	0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting.

See Note 1, E, 10 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums are amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

RANKIN COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2016

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the school board.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the superintendent of education and/or the business manager pursuant to authorization established by the school board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 10% of the revenues of the General Fund.

Note 2 – Cash and Cash Equivalents and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name

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of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$41,011,765 and \$6,819,645, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Farm Credit Banks Debenture	Aaa	Less than 1	\$ 2,000,000
Federal Farm Credit Banks Debenture	Aaa	1 to 5	1,000,000
Mississippi Development Bank Special Obligation Bonds	A3	1 to 5	970,343
Federal Home Loan Mortgage Corporation	AA+	1 to 5	6,999,808
Federal National Mortgage Association	Aaa	1 to 5	<u>4,027,129</u>
Total			<u>\$ 14,997,280</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2016:

- The identified investments of \$14,997,280 are valued using quoted market prices (Level 1 inputs)

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

Note 3 -- Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - Title I Fund	\$ 473,563
	Major fund - EHA (IDEA) Fund	453,219
	Other Governmental Funds	306,535
Fiduciary Funds	General Fund	4,226
Total		<u>\$ 1,237,543</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Funds	<u>\$ 75,000</u>

The advance represent excess cash balances being maintained in the accounts payable and payroll clearing funds to fund incidental items should they occur.

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 2,473,955
Major fund - Title I Fund	General Fund	34,001
Major fund - EHA (IDEA) Fund	General Fund	44,653
	Other Governmental Funds	18,269
Major fund - 16th Section Principal	General Fund	149,186
Other Governmental Funds	General Fund	107,298
	Other Governmental Funds	693
Total		<u>\$ 2,828,055</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, unemployment compensation fund and the ROTC program in the Other Governmental Funds. The transfers from the Major Fund - Title I Fund and EHA (IDEA) Fund to the General Fund were for indirect costs. The transfer from the Other Governmental Funds to the General Fund was for indirect costs.

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Note 4 – Restricted Assets

The restricted assets represent the cash balance of \$15,783,614 of various funds with restricted resources, i.e., special revenue funds, capital projects funds and certain funds within the other governmental funds. The restricted assets also represent the investment balance of the 16th section principal fund cash balance of \$14,977,280 which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2015	Increases	Decreases	Completed Construction	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 10,316,388				10,316,388
Construction-in-progress	2,313,249	4,228,407		(3,652,737)	2,888,919
Total non-depreciable capital assets	<u>12,629,637</u>	<u>4,228,407</u>	<u>0</u>	<u>(3,652,737)</u>	<u>13,205,307</u>
<u>Depreciable capital assets:</u>					
Buildings	191,210,759	123,495		3,652,737	194,986,991
Building improvements	4,662,733	348,550			5,011,283
Mobile equipment	16,819,106	1,171,557	(133,430)		17,857,233
Furniture and equipment	6,058,614	339,343	(84,400)		6,313,557
Total depreciable capital assets	<u>218,751,212</u>	<u>1,982,945</u>	<u>(217,830)</u>	<u>3,652,737</u>	<u>224,169,064</u>
<u>Less accumulated depreciation for:</u>					
Buildings	56,319,326	3,829,769			60,149,095
Building improvements	1,729,112	179,098			1,908,210
Mobile equipment	12,044,229	809,681	(120,087)		12,733,823
Furniture and equipment	5,375,685	296,974	(70,526)		5,602,133
Total accumulated depreciation	<u>75,468,352</u>	<u>5,115,522</u>	<u>(190,613)</u>	<u>0</u>	<u>80,393,261</u>
Total depreciable capital assets, net	<u>143,282,860</u>	<u>(3,132,577)</u>	<u>(27,217)</u>	<u>3,652,737</u>	<u>143,775,803</u>
Governmental activities capital assets, net	<u>\$ 155,912,497</u>	<u>1,095,830</u>	<u>(27,217)</u>	<u>0</u>	<u>156,981,110</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 2,928,350
Support services	1,685,299
Non-instructional	501,873
Total depreciation expense - Governmental activities	<u>\$ 5,115,522</u>

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Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities:		
Brandon High School Football Stadium	\$ 1,855,479	5,822,194
Northwest High School Football Stadium	804,443	2,118,175
Pisgah Football Stadium Bleachers	78,595	66,378
Rouse Special Education Playground	24,296	72,618
Stonebridge Special Education Playground	24,296	72,619
Steen's Creek Special Education Playground	25,043	72,619
Flowood Special Education Playground	26,055	72,619
Northshore Special Education Playground	26,113	72,619
Pisgah Special Education Playground	24,599	72,619
Total governmental activities	<u>\$ 2,888,919</u>	<u>8,442,460</u>

Construction projects included in governmental activities are funded with both local funds and remaining bond proceeds on hand.

Note 6 – Long-term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. General obligation refunding bonds payable	\$ 29,890,000		4,520,000	25,370,000	4,710,000
B. Three mill notes payable	26,835,000	8,000,000	3,685,000	31,150,000	3,650,000
Premium	272,795		30,311	242,484	30,311
C. Obligations under capital leases	1,781,761	4,468,176	2,546,527	3,703,410	2,042,314
D. Compensated absences payable	1,013,151	37,732		1,050,883	84,071
Total	<u>\$ 59,792,707</u>	<u>12,505,908</u>	<u>10,781,838</u>	<u>61,516,777</u>	<u>10,516,696</u>

A. General obligation refunding bonds payable

General obligation refunding bonds are direct obligations and pledge the full faith and credit of the school district. General obligation refunding bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 2007	3.5-5.0	10/1/2006	10/1/2020	<u>\$ 43,370,000</u>	<u>25,370,000</u>

The following is a schedule by years of the total payments due on this debt:

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Year Ending June 30	Principal	Interest	Total
2017	\$ 4,710,000	939,862	5,649,862
2018	4,890,000	741,974	5,631,974
2019	5,070,000	542,774	5,612,774
2020	5,255,000	332,990	5,587,990
2021	<u>5,445,000</u>	<u>112,303</u>	<u>5,557,303</u>
Total	<u>\$ 25,370,000</u>	<u>2,669,903</u>	<u>28,039,903</u>

This debt will be retired from the 2001 Bond Issue Retirement Fund (Debt Service Fund).

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 2.0% of property assessments as of October 1, 2015.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill notes, 2006	3.5-4.2	8/1/2006	8/1/2017	\$ 17,000,000	1,645,000
2. Three mill notes, 2008	3.0-4.0	6/1/2008	6/1/2018	4,500,000	1,035,000
3. Three mill notes, 2009	2.5-3.25	5/6/2009	4/1/2019	5,700,000	1,950,000
4. Three mill notes, 2014	2.25-3.0	8/1/2013	8/1/2023	12,000,000	9,850,000
5. Three mill notes, 2015	2.0-5.0	6/30/2015	8/1/2026	9,405,000	9,240,000
6. Three mill notes, 2016	1.85	6/1/2015	6/1/2027	8,000,000	7,430,000
Total				<u>\$ 56,605,000</u>	<u>31,150,000</u>

The following is a schedule by years of the total payments due on this debt:

1. Three mill notes, 2006:

Year Ending June 30	Principal	Interest	Total
2017	\$ 805,000	53,725	858,725
2018	<u>840,000</u>	<u>16,800</u>	<u>856,800</u>
Total	<u>\$ 1,645,000</u>	<u>70,525</u>	<u>1,715,525</u>

This debt will be retired from the Three mill notes, 2006 (Debt Service Fund).

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2. Three mill notes, 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 510,000	34,930	544,930
2018	<u>525,000</u>	<u>17,718</u>	<u>542,718</u>
Total	<u>\$ 1,035,000</u>	<u>52,648</u>	<u>1,087,648</u>

This debt will be retired from the EEF Building and Bus Fund (Special Revenue Fund).

This debt is secured by an irrevocable pledge of building and bus fund revenues (\$561,322) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

3. Three mill notes, 2009:

Year Ending June 30	Principal	Interest	Total
2017	\$ 625,000	60,186	685,186
2018	650,000	41,436	691,436
2019	<u>675,000</u>	<u>21,396</u>	<u>696,396</u>
Total	<u>\$ 1,950,000</u>	<u>123,018</u>	<u>2,073,018</u>

This debt will be retired from the Three mill notes, 2009 (Debt Service Fund).

4. Three mill notes, 2014:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,120,000	264,250	1,384,250
2018	1,150,000	235,875	1,385,875
2019	1,180,000	207,750	1,387,750
2020	1,210,000	173,850	1,383,850
2021	1,245,000	137,025	1,382,025
2022 - 2024	<u>3,945,000</u>	<u>179,625</u>	<u>4,124,625</u>
Total	<u>\$ 9,850,000</u>	<u>1,198,375</u>	<u>11,048,375</u>

This debt will be retired from the Three mill notes, 2014 (Debt Service Fund).

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5. Three mill notes, 2015:

Year Ending June 30	Principal	Interest	Total
2017	\$ 0	347,450	347,450
2018	0	347,500	347,500
2019	895,000	338,500	1,233,500
2020	920,000	320,350	1,240,350
2021	940,000	297,050	1,237,050
2022 – 2026	5,265,000	1,394,325	6,659,325
2027	<u>1,220,000</u>	<u>24,400</u>	<u>1,244,400</u>
Total	<u>\$ 9,240,000</u>	<u>3,069,575</u>	<u>12,309,575</u>

This debt will be retired from the Three mill notes, 2006 (Debt Service Fund).

6. Three mill notes, 2016:

Year Ending June 30	Principal	Interest	Total
2017	\$ 590,000	169,776	759,776
2018	605,000	158,860	763,860
2019	620,000	147,668	767,668
2020	635,000	136,074	771,074
2021	655,000	124,072	779,072
2022 – 2026	3,555,000	381,118	3,936,118
2027	<u>770,000</u>	<u>20,250</u>	<u>790,250</u>
Total	<u>\$ 7,430,000</u>	<u>1,137,818</u>	<u>8,567,818</u>

This debt will be retired from the Three mill notes, 2015 (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 3,650,000	930,317	4,580,317
2018	3,770,000	818,139	4,588,139
2019	3,370,000	714,314	4,084,314
2020	2,765,000	630,274	3,395,274
2021	2,840,000	558,147	3,398,147
2022 – 2026	12,765,000	1,955,068	14,720,068
2027	<u>1,990,000</u>	<u>44,650</u>	<u>2,034,650</u>
Total	<u>\$ 31,150,000</u>	<u>5,650,909</u>	<u>36,800,909</u>

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C. Obligations under capital leases

The school district has entered into a three lease agreements as lessee for financing the acquisition of computers at a cost of \$1,308,000, 998,000 and \$4,468,176, respectively. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Master lease, 2014 computers	1.78	8/26/2013	9/25/2016	\$ 1,308,000	222,841
2. Master lease, 2015 computers	1.58	9/4/2014	9/5/2017	998,000	504,865
3. Master lease, 2016 computers	2.31	8/15/2015	8/15/2017	4,468,176	2,975,704
Total				<u>\$ 6,774,176</u>	<u>3,703,410</u>

The following is a schedule by years of the total payments due on this debt:

1. Master lease, 2014 computers:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 222,841	1,994	224,835

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund (General Fund).

2. Master lease, 2015 computers:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 335,257	6,657	341,914
2018	169,608	1,339	170,947
Total	<u>\$ 504,865</u>	<u>7,996</u>	<u>512,861</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund (General Fund).

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3. Master lease, 2016 computers:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 1,484,216	14,581	1,498,797
2018	<u>1,491,488</u>	<u>7,308</u>	<u>1,498,796</u>
Total	<u>\$ 2,975,704</u>	<u>21,889</u>	<u>2,997,593</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund (General Fund).

Total obligations under capital leases for all issues:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 2,042,314	23,232	2,065,546
2018	<u>1,661,096</u>	<u>8,647</u>	<u>1,669,743</u>
Total	<u>\$ 3,703,410</u>	<u>31,879</u>	<u>3,735,289</u>

D. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable

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service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$14,776,908, \$14,085,657 and \$13,689,508, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the school district reported a liability of \$221,049,800 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 1.43 percent, which was based on a measurement date of June 30, 2015. This was an increase of .01 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$26,477,019. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,755,042	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	4,749,636
Changes of assumptions	13,923,681	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
District contributions subsequent to the measurement date	14,776,908	0
Total	\$ 32,455,631	\$ 4,749,636

\$14,776,908 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 5,312,122
2018	5,312,122
2019	3,492,253
2020	(1,187,409)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 291,363,887	\$ 221,049,800	\$ 162,702,254

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2017	\$ 1,062,723
2018	1,054,791
2019	1,029,056
2020	1,014,056
2021	975,710
2022 – 2026	13,126,057
2027 – 2031	729,841
2032 – 2036	331,000
2037 – 2041	7,500
Total	<u>\$ 19,330,734</u>

Note 9 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Note 10 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11 - Insurance loss recoveries

The School District received \$513,713 in insurance loss recoveries related to storm damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 501,615	98%	Instruction
12,098	2%	Support services
<u>\$ 513,713</u>	<u>100%</u>	

Note 12 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(172,010,301) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 29 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through November 11, 2016, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

On July 15, 2016, the school district entered into a master lease for the purchase of computers for \$2,872,469 for a period of three years at an interest rate of 2.4 percent.

On July 27, 2016, the school district issued \$19,395,000 in general obligation refunding bonds for a period of five years with an interest rate of 2 to 5 percent for the purpose of refunding outstanding general obligation refunding bonds issued in 2007.

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REQUIRED SUPPLEMENTARY INFORMATION

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RANKIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 59,076,900	59,690,245	60,514,703	613,345	824,458
State sources	83,826,518	83,825,518	82,218,827	(1,000)	(1,606,691)
Federal sources	393,500	393,550	422,047	50	28,497
Sixteenth section sources	0	1,407,295	1,467,594	1,407,295	60,299
Total Revenues	143,296,918	145,316,608	144,623,171	2,019,690	(693,437)
Expenditures					
Instruction	89,986,148	90,614,417	89,105,166	(628,269)	1,509,251
Support services	51,432,153	51,526,990	51,590,866	(94,837)	(63,876)
Noninstructional services	2,058,211	2,191,499	2,188,311	(133,288)	3,188
Sixteenth section	0	251,748	226,087	(251,748)	25,661
Facilities acquisition and construction	3,000,000	3,410,000	166,709	(410,000)	3,243,291
Debt service					
Principal	2,514,968	2,577,968	2,546,527	(63,000)	31,441
Interest	0	0	31,442	0	(31,442)
Total Expenditures	148,991,480	150,572,622	145,855,108	(1,581,142)	4,717,514
Excess (Deficiency) of Revenues Over Expenditures	(5,694,562)	(5,256,014)	(1,231,937)	438,548	4,024,077
Other Financing Sources (Uses)					
Inception of capital leases	4,468,176	4,468,176	4,468,176	0	0
Insurance loss recoveries	10,000	10,000	513,713	0	503,713
Sale of transportation equipment	0	0	761	0	761
Sale of other property	5,000	5,000	4,724	0	(276)
Operating transfers in	13,700,636	14,274,011	335,138	573,375	(13,938,873)
Operating transfers out	(16,497,841)	(18,056,916)	(2,473,955)	(1,559,075)	15,582,961
Other financing uses	0	0	(3,188)	0	(3,188)
Total Other Financing Sources (Uses)	1,685,971	700,271	2,845,369	(985,700)	2,145,098
Net Change in Fund Balances			1,613,432		
Fund Balances					
July 1, 2015, as previously reported			26,791,996		
Prior period adjustments			293		
July 1, 2015, as restated			<u>26,792,289</u>		
June 30, 2016			<u>\$ 28,405,721</u>		

The notes to the required supplementary information are an integral part of this schedule.

RANKIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 2,987,971	3,842,159	3,233,887	854,188	(608,272)
Total Revenues	<u>2,987,971</u>	<u>3,842,159</u>	<u>3,233,887</u>	<u>854,188</u>	<u>(608,272)</u>
Expenditures					
Instruction	1,518,642	2,379,429	2,043,166	(860,787)	336,263
Support services	1,243,472	1,258,981	1,003,527	(15,509)	255,454
Noninstructional services	195,857	164,748	153,193	31,109	11,555
Total Expenditures	<u>2,957,971</u>	<u>3,803,158</u>	<u>3,199,886</u>	<u>(845,187)</u>	<u>603,272</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>30,000</u>	<u>39,001</u>	<u>34,001</u>	<u>9,001</u>	<u>(5,000)</u>
Other Financing Sources (Uses)					
Operating transfers out	(30,000)	(39,001)	(34,001)	(9,001)	5,000
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(39,001)</u>	<u>(34,001)</u>	<u>(9,001)</u>	<u>5,000</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2015			<u>0</u>		
June 30, 2016			<u>\$ 0</u>		

The notes to the required supplementary information are an integral part of this schedule.

RANKIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA (IDEA) Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 3,607,751	3,655,581	3,460,611	47,830	(194,970)
Total Revenues	<u>3,607,751</u>	<u>3,655,581</u>	<u>3,460,611</u>	<u>47,830</u>	<u>(194,970)</u>
Expenditures					
Instruction	1,776,888	1,678,992	1,837,096	97,896	(158,104)
Support services	1,477,863	1,627,411	1,560,593	(149,548)	66,818
Total Expenditures	<u>3,254,751</u>	<u>3,306,403</u>	<u>3,397,689</u>	<u>(51,652)</u>	<u>(91,286)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>353,000</u>	<u>349,178</u>	<u>62,922</u>	<u>(3,822)</u>	<u>(286,256)</u>
Other Financing Sources (Uses)					
Operating transfers out	(353,000)	(349,178)	(62,922)	3,822	286,256
Total Other Financing Sources (Uses)	<u>(353,000)</u>	<u>(349,178)</u>	<u>(62,922)</u>	<u>3,822</u>	<u>286,256</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2015			<u>0</u>		
June 30, 2016			<u>\$ 0</u>		

The notes to the required supplementary information are an integral part of this schedule.

RANKIN COUNTY SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability
 PERS
 Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	1.43%	1.42%
District's proportionate share of the net pension liability (asset)	\$ 221,049,800	\$ 172,657,564
District's covered-employee payroll	\$ 89,432,743	\$ 86,918,146
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>247.17%</u>	<u>198.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.70%</u>	<u>67.21%</u>

The notes to the required supplementary information are an integral part of this schedule.

The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

RANKIN COUNTY SCHOOL DISTRICT
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,776,908	\$ 14,085,657
Contributions in relation to the contractually required contribution	14,776,908	14,085,657
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
District's covered-employee payroll	<u>\$ 93,821,614</u>	<u>\$ 89,432,743</u>
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

RANKIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

(3) Pension Schedules

Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

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RANKIN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,168,060
National school lunch program	10.555	7,239,041
Total child nutrition cluster		<u>8,407,101</u>
Total U.S. Department of Agriculture		<u>8,407,101</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve officers' training corps	12.xxx	515,632
Total U.S. Department of Defense		<u>515,632</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	312,038
Total Federal Communications Commission		<u>312,038</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - state grant program	84.002	285,996
Total		<u>285,996</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	3,244,393
Career and technical education - basic grants to states	84.048	138,061
English language acquisition grants	84.365	53,244
Improving teacher quality - state grants	84.367	510,137
Total		<u>3,945,835</u>
Special education cluster:		
Special education - grants to states	84.027	3,489,344
Special education - preschool grants	84.173	101,475
Total special education cluster		<u>3,590,819</u>
Total passed-through Mississippi Department of Education		<u>7,536,654</u>
Total U.S. Department of Education		<u>7,822,650</u>

RANKIN COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Mental Health:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	10,572
Total passed-through the Mississippi Department of Mental Health		<u>10,572</u>
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	83,097
Total U.S. Department of Health and Human Services		<u>93,669</u>
Total for All Federal Awards		<u><u>\$ 17,151,090</u></u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

RANKIN COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 129,002,512	99,913,022	3,052,294	11,081,497	14,955,699
Other	55,674,787	18,821,700	1,372,483	254,713	35,225,891
Total	<u>184,677,299</u>	<u>118,734,722</u>	<u>4,424,777</u>	<u>11,336,210</u>	<u>50,181,590</u>
Total number of students	<u>19,065</u>				
Cost per student	<u>\$ 9,687</u>	<u>6,228</u>	<u>232</u>	<u>595</u>	<u>2,632</u>

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER INFORMATION

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RANKIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues				
Local sources	\$ 60,514,703	56,585,684	52,997,646	52,195,283
State sources	82,218,827	79,253,028	77,374,089	76,784,465
Federal sources	422,047	417,561	349,035	427,624
Sixteenth section sources	1,467,594	1,125,291	0	0
Total Revenues	144,623,171	137,381,564	130,720,770	129,407,372
Expenditures				
Instruction	89,105,166	83,758,448	80,604,346	80,207,022
Support services	51,590,866	49,677,621	48,315,015	50,034,033
Noninstructional services	2,188,311	2,102,246	2,157,895	2,027,108
Sixteenth section	226,087	206,770	0	0
Facilities acquisition and construction	166,709	22,363	77,500	193,376
Debt service				
Principal	2,546,527	1,119,230	1,069,155	563,355
Interest	31,442	38,316	46,012	44,432
Total Expenditures	145,855,108	136,924,994	132,269,923	133,069,326
Excess (Deficiency) of Revenues Over Expenditures	(1,231,937)	456,570	(1,549,153)	(3,661,954)
Other Financing Sources (Uses)				
Inception of capital leases	4,468,176	998,000	1,308,000	1,450,000
Insurances loss recoveries	513,713	945,875	3,871,413	1,522,435
Sale of transportation equipment	761	0	0	0
Sale of other property	4,724	1,165	4,195	10,673
Operating transfers in	335,138	339,543	1,216,709	1,127,773
Operating transfers out	(2,473,955)	(2,493,355)	(2,373,288)	(2,392,417)
Other financing uses	(3,188)	(65,790)	0	0
Total Other Financing Sources (Uses)	2,845,369	(274,562)	4,027,029	1,718,464
Net Change in Fund Balances	1,613,432	182,008	2,477,876	(1,943,490)
Fund Balances				
July 1	26,791,996	25,104,608	22,626,732	24,570,222
Prior period adjustments	293	1,505,380	0	0
July 1, as restated	26,792,289	26,609,988	22,626,732	24,570,222
June 30	\$ 28,405,721	26,791,996	25,104,608	22,626,732

* Source - Prior year audit reports.

RANKIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues				
Local sources	\$ 72,992,143	68,474,722	66,823,574	66,149,976
State sources	87,493,204	84,430,711	81,246,573	80,581,853
Federal sources	14,089,148	13,856,341	14,260,182	14,675,539
Sixteenth section sources	2,672,359	2,070,794	2,847,305	3,277,840
Total Revenues	<u>177,246,854</u>	<u>168,832,568</u>	<u>165,177,634</u>	<u>164,685,208</u>
Expenditures				
Instruction	100,268,147	96,041,426	91,677,230	91,385,425
Support services	56,042,978	54,171,534	54,003,123	53,694,317
Noninstructional services	10,353,805	9,382,442	9,754,280	9,547,037
Sixteenth section	276,461	269,493	321,739	300,297
Facilities acquisition and construction	4,700,452	3,497,219	1,516,312	731,969
Debt service				
Principal	10,751,527	11,259,230	11,009,155	10,089,991
Interest	2,081,297	2,732,757	2,738,460	3,165,107
Other	202,632	13,128	263,819	13,207
Total Expenditures	<u>184,677,299</u>	<u>177,367,229</u>	<u>171,284,118</u>	<u>168,927,350</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,430,445)</u>	<u>(8,534,661)</u>	<u>(6,106,484)</u>	<u>(4,242,142)</u>
Other Financing Sources (Uses)				
Proceeds of loans	8,000,000	0	12,000,000	0
Premium on debt	0	0	303,106	0
Inception of capital leases	4,468,176	998,000	1,308,000	1,450,000
Insurances loss recoveries	513,713	945,875	3,871,413	1,522,435
Sale of transportation equipment	761	0	0	0
Sale of other property	4,724	1,165	4,195	10,673
Operating transfers in	2,828,055	3,056,904	4,699,470	4,835,240
Operating transfers out	(2,828,055)	(3,056,904)	(4,699,470)	(4,835,240)
Other financing uses	(3,188)	(65,790)	0	(98,548)
Total Other Financing Sources (Uses)	<u>12,984,186</u>	<u>1,879,250</u>	<u>17,486,714</u>	<u>2,884,560</u>
Net Change in Fund Balances	<u>5,553,741</u>	<u>(6,655,411)</u>	<u>11,380,230</u>	<u>(1,357,582)</u>
Fund Balances				
July 1	53,557,597	60,210,841	48,760,716	50,119,777
Prior period adjustments	293	0	0	0
July 1, as restated	53,557,890	60,210,841	48,760,716	50,119,777
Increase (Decrease) in reserve for inventory	43,744	2,167	69,895	(1,479)
June 30	<u>\$ 59,155,375</u>	<u>53,557,597</u>	<u>60,210,841</u>	<u>48,760,716</u>

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Superintendent and School Board
Rankin County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Rankin County School District's basic financial statements, and have issued my report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Rankin County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rankin County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Rankin County School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rankin County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles L Shivers, CPA, LLC

Ridgeland, MS
November 11, 2016

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
Rankin County School District

Report on Compliance for Each Major Federal Program

I have audited Rankin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rankin County School District's major federal programs for the year ended June 30, 2016. Rankin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Rankin County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rankin County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Rankin County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Rankin County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Rankin County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of

compliance, I considered Rankin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Rankin County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Charles L Shivers, CPA, LLC

Ridgeland, MS
November 11, 2016

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2016, which collectively comprise Rankin County School District's basic financial statements and have issued my report thereon dated November 11, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles L. Shivers, CPA, LLC

Ridgeland, MS
November 11, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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RANKIN COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported under the *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of my tests did not disclose any findings and questioned costs related to the federal awards.

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