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**Starkville-Oktibbeha Consolidated School District**

Audited Financial Statements  
For the Year Ended June 30, 2016

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Starkville-Oktibbeha Consolidated School District**  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Starkville-Oktibbeha Consolidated School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville-Oktibbeha Consolidated School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Starkville-Oktibbeha Consolidated 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**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## **Opinions**

In our 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 Starkville-Oktibbeha Consolidated 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and of the District Contributions on pages 8 to 20 and 65 to 68, respectively, 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starkville-Oktibbeha Consolidated 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 our 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, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2017, on our consideration of the Starkville-Oktibbeha Consolidated School District's internal control over financial reporting and on our 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 our 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 Starkville-Oktibbeha Consolidated School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 6, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

## **Starkville-Oktibbeha Consolidated School District**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2016**

The following discussion and analysis of Starkville-Oktibbeha Consolidated 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 increased \$2,613,858, including consolidation and prior period adjustment of (\$505,663), which represents a 6% increase from fiscal year 2015. Total net position for 2015 decreased \$58,756,891, including a prior period adjustment of (\$60,476,258), which represents a 346% decrease from fiscal year 2014.
- General revenues amounted to \$46,844,514 and \$43,934,242, or 79% and 78% 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 \$12,517,402, or 21% of total revenues for 2015 and \$12,276,881, or 22% of total revenues for 2015.
- The District had \$56,661,178 and \$54,491,756 in expenses for fiscal years 2016 and 2015; only \$12,517,402 for 2016 and \$12,276,881 for 2015 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$46,844,514 for 2016 and \$43,934,242 for 2015 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$43,096,230 in revenues and \$40,090,686 in expenditures for 2016 and \$40,444,852 in revenues and \$41,587,219 in expenditures for 2015. The General Fund's fund balance increased by \$3,170,467, including a prior period adjustment of \$11,863, from 2015 to 2016 and increased by \$571,446, including a prior period adjustment of \$695,037 and the fund reclass of Sixteenth Section Interest Funds from Special Revenue Fund to General Fund in the amount of \$615,632, from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$1,308,762, including a prior period adjustment of (\$577,256), for 2016 and increased by \$3,615,855, including a prior period adjustment of (\$47,582), for 2015. The decrease for 2016 was primarily due to adjustments made to record capital assets due to the consolidation of Oktibbeha County School District and Starkville School District coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$4,094,277 for 2016 and decreased by \$1,017,541 for 2015. This decrease for 2016 was due primarily to principal payments on long-term debt. In addition, the liability for compensated absences increased by \$23,413 for 2016 and increased by \$17,127 for 2015.

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

## **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

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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.

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**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 Net 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 \$39,166,778 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.

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Table 1**  
**Condensed Statement of Net position**

	<u>June 30, 2016</u>	<u>June 30, 2015*</u>	<u>Percentage Change</u>
Current assets	\$ 14,527,672	11,485,163	26%
Restricted assets	3,404,913	4,419,562	(23)%
Capital assets, net	<u>38,993,645</u>	<u>40,302,407</u>	(3)%
<b>Total assets</b>	<u>56,926,230</u>	<u>56,207,132</u>	1%
 <b>Deferred outflows of resources</b>	 <u>12,672,616</u>	 <u>5,938,940</u>	 113%
 Current liabilities	 2,988,908	 3,122,999	 (4)%
Long-term debt outstanding	30,414,745	34,491,281	(12)%
Net pension liability	<u>72,865,588</u>	<u>57,465,005</u>	27%
<b>Total liabilities</b>	<u>106,269,241</u>	<u>95,079,285</u>	12%
 <b>Deferred inflows of resources</b>	 <u>2,496,383</u>	 <u>8,847,423</u>	 (72)%
 <b>Net position:</b>			
Net investment in capital assets	9,394,337	7,698,537	22%
Restricted	9,977,845	9,975,917	0%
Unrestricted	<u>(58,538,960)</u>	<u>(59,455,090)</u>	(2)%
<b>Total net position (deficit)</b>	<u>\$ (39,166,778)</u>	<u>(41,780,636)</u>	(6)%

\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts include the figures for both school districts. See Note 10 for further details.

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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)	\$ (58,180,250)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>62,689,355</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,509,105</u>

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

- Decrease in net capital assets in the amount of \$1,308,762.
- The principal retirement of \$3,675,494 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$59,361,916 and \$56,211,123, respectively. The total cost of all programs and services was \$56,661,178 for 2016 and \$54,491,756 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.

**Starkville-Oktibbeha Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

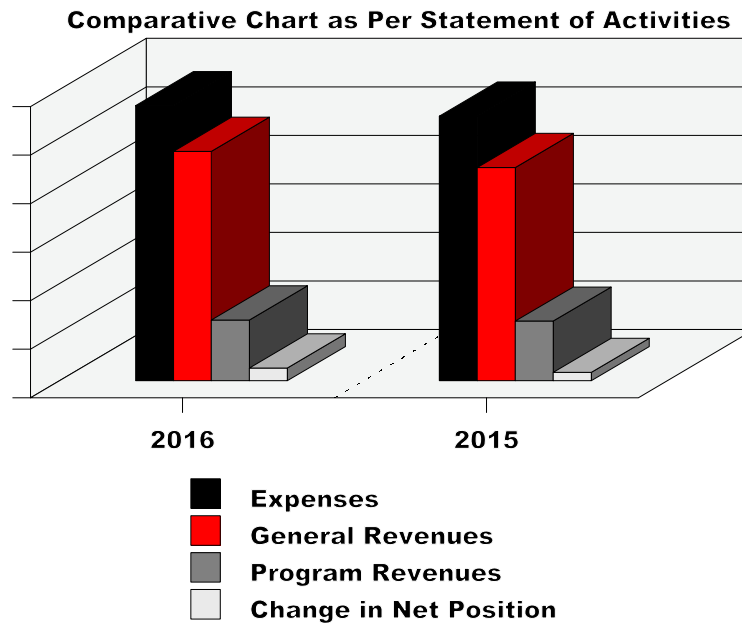
**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2016</b>	<b>Year Ended * June 30, 2015</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,834,901	2,353,454	(22)%
Operating grants and contributions	10,515,103	9,674,254	9%
Capital grants and contributions	167,398	249,173	(33)%
General revenues:			
Property taxes	22,679,325	21,148,336	7%
Grants and contributions not restricted	23,617,057	22,370,062	6%
Investment earnings	86,374	24,390	254%
Sixteenth section sources	408,111	244,522	67%
Other	53,647	146,932	(63)%
<b>Total revenues</b>	<b>59,361,916</b>	<b>56,211,123</b>	<b>6%</b>
<b>Expenses:</b>			
Instruction	26,705,415	26,116,088	2%
Support services	17,928,689	19,077,514	(6)%
Non-instructional	4,247,484	4,332,392	(2)%
Sixteenth section	56,834	60,553	(6)%
Pension expense	6,817,065	3,851,207	77%
Interest on long-term liabilities and other debt service costs	905,691	1,054,002	(14)%
<b>Total expenses</b>	<b>56,661,178</b>	<b>54,491,756</b>	<b>4%</b>
Special items	418,783		N/A
<b>Increase (Decrease) in net position</b>	<b>3,119,521</b>	<b>1,719,367</b>	<b>81%</b>
<b>Net position, July 1, as previously reported</b>	<b>(41,780,636)</b>	<b>16,976,255</b>	<b>(346)%</b>
<b>Prior Period Adjustment</b>	<b>(505,663)</b>	<b>(60,476,258)</b>	<b>(99)%</b>
<b>Net position (Deficit), July 1, as restated</b>	<b>(42,286,299)</b>	<b>(43,500,003)</b>	<b>(3)%</b>
<b>Net position (Deficit), June 30</b>	<b>\$ (39,166,778)</b>	<b>(41,780,636)</b>	<b>(6)%</b>



**Starkville-Oktibbeha Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts include the figures for both school districts. See Note 10 for further details.



**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.

**Starkville-Oktibbeha Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Table 3**  
**Net Cost of Governmental Activities**

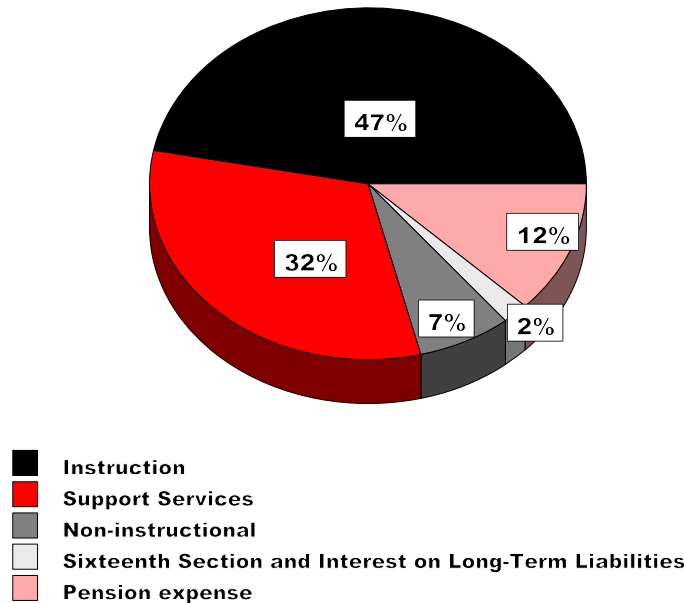
<b>Total Expenses</b>			
	<b>2016</b>	<b>2015*</b>	<b>Percentage Change</b>
Instruction	\$ 26,705,415	26,116,088	2%
Support services	17,928,689	19,077,514	(6)%
Non-instructional	4,247,484	4,332,392	(2)%
Sixteenth section	56,834	60,553	(6)%
Pension expense	6,817,065	3,851,207	77%
Interest on long-term liabilities and other debt service costs	905,691	1,054,002	(14)%
<b>Total expenses</b>	<b>\$ 56,661,178</b>	<b>54,491,756</b>	<b>4%</b>

<b>Net (Expense) Revenue</b>			
	<b>2016</b>	<b>2015*</b>	<b>Percentage Change</b>
Instruction	\$ (21,441,853)	(21,024,659)	2%
Support services	(15,064,398)	(16,857,218)	(11)%
Non-instructional	99,407	627,339	(84)%
Sixteenth section	(14,176)	(55,128)	(74)%
Pension expense	(6,817,065)	(3,851,207)	77%
Interest on long-term liabilities and other debt service costs	(905,691)	(1,054,002)	(14)%
<b>Total net (expense) revenue</b>	<b>\$ (44,143,776)</b>	<b>(42,214,875)</b>	<b>5%</b>

\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts include the figures for both school districts. See Note 10 for further details.

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

**Chart of Expenses as Per Statement of Activities**



- Net cost of governmental activities (\$44,143,776 for 2016 and \$42,214,875 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$22,679,325 for 2016 and \$21,148,336 for 2015) and state and federal revenues (\$23,617,057 for 2016 and \$22,370,062 for 2015). In addition, there was \$408,111 and \$244,522 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$86,374 for 2016 and \$24,390 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 \$15,237,160, an increase of \$2,128,005, which includes a prior period adjustment of \$11,630 and an increase in inventory of \$18,799. \$4,658,125, or 31% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned

**Starkville-Oktibbeha Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$10,579,035, or 69% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted 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 \$3,170,467, which includes a prior period adjustment of \$11,863. The fund balance of Other Governmental Funds showed a decrease in the amount of \$878,480, which includes a prior period adjustment of (\$24,730) and an increase in inventory of \$18,799. The increase (decrease) in the fund balance for the other major funds was as follows:

Major Fund	Increase (Decrease)
Title I A Basic Fund	no increase or decrease
Limited Tax Note 2013/2014 Fund	\$ (163,982)

## **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 funds 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 \$61,966,093, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$93,718 from 2015. The prior year comparison amounts reflects Oktibbeha County School District and Starkville School District as a result of the Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013. Total accumulated depreciation as of June 30, 2016, was \$22,972,448 and total depreciation expense for the year was \$1,564,213, resulting in total net capital assets of \$38,993,645.

**Starkville-Oktibbeha Consolidated School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 198,920	198,920	0%
Construction in progress		1,225,699	(100)%
Buildings	29,824,988	30,000,575	(1)%
Building improvements	3,839,857	4,015,981	(4)%
Improvements other than buildings	2,610,407	2,683,220	(3)%
Mobile equipment	1,724,135	1,243,244	39%
Furniture and equipment	290,308	358,718	(19)%
Leased property under capital leases	505,030	576,050	(12)%
<b>Total</b>	<b>\$ <u>38,993,645</u></b>	<b><u>40,302,407</u></b>	<b>(3)%</b>

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 \$30,414,745 in outstanding long-term debt, of which \$2,779,504 is due within one year. The prior year comparison amounts reflects Oktibbeha County School District and Starkville School District as a result of the Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013. The liability for compensated absences increased \$23,413 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 bonds payable	\$ 16,240,000	18,685,000	(13)%
Limited obligation bonds payable	995,000	1,375,000	(28)%
Premiums	8,981	14,653	(39)%
Three mill notes payable	6,525,000	7,235,000	(10)%
Obligations under capital leases	409,037	549,531	(26)%
Obligations under energy efficiency leases	0	418,783	(100)%
Qualified school construction bonds payable	5,780,000	5,780,000	0%
Compensated absences payable	456,727	433,314	5%
<b>Total</b>	<b>\$ <u>30,414,745</u></b>	<b><u>34,491,281</u></b>	<b>(12)%</b>

**Starkville-Oktibbeha Consolidated School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2016

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

**CURRENT ISSUES**

The Starkville-Oktibbeha Consolidated School District is financially stable. The District is proud of its community support of its 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.

On September 13, 2016, the School District received a probation status on an accreditation report.

The District actively pursues grant funding to supplement the local, state and federal revenue.

Enrollment for the 2015-2016 school year decreased by 2% to 4,705 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Starkville-Oktibbeha Consolidated School District, 401 Greensboro Street, Starkville, MS 39759.

## FINANCIAL STATEMENTS

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2016

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 12,361,911
<i>Due from other governments</i>	2,077,585
<i>Inventories</i>	88,176
<i>Restricted assets</i>	3,404,913
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	198,920
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	29,824,988
<i>Building improvements</i>	3,839,857
<i>Improvements other than buildings</i>	2,610,407
<i>Mobile equipment</i>	1,724,135
<i>Furniture and equipment</i>	290,308
<i>Leased property under capital leases</i>	505,030
Total Assets	<u>56,926,230</u>
<b>Deferred Outflows of Resources</b>	
Pension related	12,672,616
Total Deferred Outflows of Resources	<u>12,672,616</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	2,695,065
<i>Unearned revenue</i>	360
<i>Interest payable on long-term liabilities</i>	293,483
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	2,779,504
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	27,178,514
<i>Non-capital related liabilities</i>	456,727
<i>Net pension liability</i>	72,865,588
Total Liabilities	<u>106,269,241</u>
<b>Deferred Inflows of Resources</b>	
Pension related	2,496,383
Total Deferred Inflows of Resources	<u>2,496,383</u>
<b>Net Position</b>	
Net Investment in Capital Assets	9,394,337
Restricted For:	
Expendable:	
School-based activities	2,820,361
Debt service	2,017,748
Capital projects	3,552,742
Unemployment benefits	73,389
Forestry improvements	181,508
Nonexpendable:	
Sixteenth section	1,332,097
Unrestricted	(58,538,960)
Total Net Position (Deficit)	<u>\$ (39,166,778)</u>

The accompanying notes are an integral part of this statement.



## STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
Governmental Activities:					Governmental
					Activities
<i>Instruction</i>	26,705,415	1,274,076	3,989,486	--	(21,441,853)
<i>Support services</i>	17,928,689	--	2,864,291	--	(15,064,398)
<i>Noninstructional services</i>	4,247,484	518,167	3,661,326	167,398	99,407
<i>Sixteenth section</i>	56,834	42,658	--	--	(14,176)
<i>Pension expense</i>	6,817,065	--	--	--	(6,817,065)
<i>Interest on long-term liabilities</i>	905,691	--	--	--	(905,691)
Total Governmental Activities	<u>\$ 56,661,178</u>	<u>\$ 1,834,901</u>	<u>\$ 10,515,103</u>	<u>\$ 167,398</u>	<u>(44,143,776)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					18,805,588
<i>General purpose levies</i>					341,952
<i>Debt purpose levies</i>					3,531,785
Unrestricted grants and contributions:					
<i>State</i>					23,374,940
<i>Federal</i>					242,117
<i>Unrestricted investment earnings</i>					86,374
<i>Sixteenth section sources</i>					408,111
<i>Other</i>					53,647
Total General Revenues					<u>46,844,514</u>
Special Items:					
<i>Special Item Inflow</i>					<u>418,783</u>
Total General Revenues and Special Items					<u>47,263,297</u>
Change in Net Position					<u>3,119,521</u>
* Statutory Consolidation - Starkville School District					(33,606,887)
* Statutory Consolidation - Oktibbeha County School District					<u>(8,173,749)</u>
Net Position (Deficit) - Beginning, at inception					(41,780,636)
Prior Period Adjustment					(505,663)
Net Position (Deficit) - Beginning, as restated					<u>(42,286,299)</u>
Net Position (Deficit) - Ending					<u>\$ (39,166,778)</u>

\* As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The final fund net position of the two districts is being reported to accurately state the net position of the new entity, Starkville-Oktibbeha Consolidated School District.

The accompanying notes are an integral part of this statement.

# STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2016

	General Fund	Title I A Basic Fund
<b>Assets</b>		
<i>Cash and cash equivalents</i>	\$ 5,766,771	\$ 360
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	659,043	450,613
<i>Due from other funds</i>	800,882	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 7,226,696</u>	<u>\$ 450,973</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 2,260,864	\$ 95,849
<i>Due to other funds</i>	--	354,764
<i>Unearned revenue</i>	--	360
Total Liabilities	<u>2,260,864</u>	<u>450,973</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventory	--	--
Permanent fund principal	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Forestry improvement purposes	--	--
Capital projects	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Assigned:</b>		
Activity funds	307,707	--
<b>Unassigned</b>	4,658,125	--
Total Fund Balances	<u>4,965,832</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 7,226,696</u>	<u>\$ 450,973</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Limited Tax Note 2013/2014 Issue Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,785,979	\$ 5,644,427	\$ 14,197,537
--	246,297	246,297
--	1,322,990	1,322,990
--	957,197	2,066,853
--	30,000	830,882
--	88,176	88,176
<u>\$ 2,785,979</u>	<u>\$ 8,289,087</u>	<u>\$ 18,752,735</u>
\$ 3,241	\$ 335,111	\$ 2,695,065
--	465,386	820,150
--	--	360
<u>3,241</u>	<u>800,497</u>	<u>3,515,575</u>
--	88,176	88,176
--	1,332,097	1,332,097
--	73,389	73,389
--	181,508	181,508
2,782,738	770,004	3,552,742
--	2,311,231	2,311,231
--	1,227,840	1,227,840
--	1,504,345	1,504,345
--	--	307,707
--	--	4,658,125
<u>2,782,738</u>	<u>7,488,590</u>	<u>15,237,160</u>
<u>\$ 2,785,979</u>	<u>\$ 8,289,087</u>	<u>\$ 18,752,735</u>

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016*

Total fund balances - governmental funds balance sheet	\$ 15,237,160
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	38,993,645
Liabilities due in one year are not recognized in the funds.	(2,779,504)
Payables for bond principal which are not due in the current period are not reported in the funds.	(21,090,000)
Payables for leases which are not due in the current period are not reported in the funds.	(295,205)
Payables for bond interest which are not due in the current period are not reported in the funds.	(293,483)
Payables for notes which are not due in the current period are not reported in the funds.	(5,790,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(456,727)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(72,865,588)
Deferred Inflow of Resources related to the pension plan are not reported in the funds.	(2,496,383)
Deferred Outflow of Resources related to the pension plan are not reported in the funds.	12,672,616
Bond premiums are recognized in the SNP.	(3,309)
Net position of governmental activities - Statement of Net Position	<u>\$ (39,166,778)</u>

The accompanying notes are an integral part of this statement.

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# STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Title I A Basic Fund
<b>Revenues:</b>		
Local sources	\$ 19,415,172	\$ --
Intermediate sources	85	--
State sources	22,980,029	--
Federal sources	309,857	2,425,672
Sixteenth section sources	391,087	--
Total Revenues	43,096,230	2,425,672
<b>Expenditures:</b>		
Instruction	23,942,071	1,507,547
Support services	16,050,231	929,164
Noninstructional services	--	11,359
Sixteenth section	23,194	--
Facilities acquisition and construction	--	--
Debt service:		
Principal	29,037	--
Interest	46,004	--
Other	149	--
Total Expenditures	40,090,686	2,448,070
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,005,544	(22,398)
<b>Other Financing Sources (Uses):</b>		
Insurance recovery	12,610	--
Sale of other property	5,000	--
Transfers in	355,631	137,058
Payments held by QSCB escrow agents	--	--
Transfers out	(220,181)	(114,660)
Payments to QSCB debt escrow agents	--	--
Total Other Financing Sources (Uses)	153,060	22,398
Net Change in Fund Balances	3,158,604	--
<b>Fund Balances:</b>		
* Statutory Consolidation - Starkville School District	869,476	--
* Statutory Consolidation - Oktibbeha County School District	925,889	--
July 1, 2015, at inception	1,795,365	--
Prior period adjustments	11,863	--
July 1, 2015, as restated	1,807,228	--
Increase (decrease) in inventory	--	--
June 30, 2016	\$ 4,965,832	\$ --

\* As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The final fund balances of the two districts are being reported to accurately state the fund balances of the new entity, Starkville-Oktibbeha Consolidated School District.

The accompanying notes are an integral part of this statement.

EXHIBIT D

Limited Tax Note 2013/2014 Issue Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,500	\$ 5,321,265	\$ 24,741,937
--	10,633	10,718
--	1,942,600	24,922,629
--	6,495,334	9,230,863
--	59,682	450,769
5,500	13,829,514	59,356,916
--	2,972,133	28,421,751
111,279	2,666,153	19,756,827
--	4,326,676	4,338,035
--	33,640	56,834
82,700	--	82,700
--	3,646,457	3,675,494
--	884,725	930,729
--	14,431	14,580
193,979	14,544,215	57,276,950
(188,479)	(714,701)	2,079,966
--	--	12,610
--	--	5,000
--	364,040	856,729
--	339,286	339,286
--	(521,888)	(856,729)
--	(339,286)	(339,286)
--	(157,848)	17,610
(188,479)	(872,549)	2,097,576
2,946,720	6,125,601	9,941,797
--	2,241,469	3,167,358
2,946,720	8,367,070	13,109,155
24,497	(24,730)	11,630
2,971,217	8,342,340	13,120,785
--	18,799	18,799
\$ 2,782,738	\$ 7,488,590	\$ 15,237,160

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016*

Net change in fund balances - total governmental funds	\$ 2,097,576
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	836,171
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,564,213)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(3,464)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,825,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	140,494
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	710,000
(Increase) decrease in accrued interest from beginning of period to end of period.	33,946
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	18,799
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(23,413)
Bond premiums are reported in the funds but not in the SOA.	5,672
Energy efficiency leases were terminated during the fiscal year (See Note 16).	418,783
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	4,441,235
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(6,817,065)
Change in net position of governmental activities - Statement of Activities	\$ <u>3,119,521</u>

The accompanying notes are an integral part of this statement.



**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT***STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2016*

	Agency Funds
<b>Assets:</b>	
<i>Cash and cash equivalents</i>	\$ 111,452
<b>Total Assets</b>	<b>\$ 111,452</b>
<b>Liabilities</b>	
<i>Accounts payable &amp; accrued liabilities</i>	\$ 3,590
<i>Due to other funds</i>	10,732
<i>Other payables</i>	97,130
<b>Total Liabilities</b>	<b>\$ 111,452</b>

The accompanying notes are an integral part of this statement.

**Starkville-Oktibbeha Consolidated School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2016

## **Starkville-Oktibbeha Consolidated School District**

Notes to the Financial Statements  
For the Year Ended 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Starkville since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district. As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District.

For financial reporting purposes, Starkville-Oktibbeha Consolidated 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.

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 consist 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.

Title I A Basic Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I grants that the district receives.

Limited Tax Note 2013/2014 Issue Fund - This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of, a limited tax note.

## **Starkville-Oktibbeha Consolidated School District**

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund serves as a clearing fund for payroll type transactions.

**Accounts Payable Clearing Fund** - This fund serves as a clearing fund for accounts payable type transactions.

**Student Club Funds** - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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**

**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.

## **Starkville-Oktibbeha Consolidated School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2016

### **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. 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.

## **Starkville-Oktibbeha Consolidated School District**

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

#### **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 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 Sections 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.

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

#### 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, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.



## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 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 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
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

( \* ) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

#### 7. Deferred outflows/inflows of resources

In addition to assets, the statement 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

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

as an outflow of resources (expense/expenditure) until then. The school district has a deferred outflow which is presented as a deferred outflow for pension.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The school district has a deferred inflow which is presented as a deferred inflow for pension.

See Note 15 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 Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Currently there are no bond discounts or premiums presented in this report.

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.

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended 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. Currently there is no committed fund balance for this school district.

*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 and Business Manager pursuant to authorization established by the policy adopted by the school district.

## **Starkville-Oktibbeha Consolidated School District**

### Notes to the Financial Statements For the Year Ended June 30, 2016

*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 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 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 goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of District Maintenance revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### **Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, 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 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 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

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

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 close-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 \$14,197,537 and \$111,452, 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. As of June 30, 2016, none of the district's bank balance of \$16,677,853 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$246,297.

#### Investments

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

Investment Type	Rating	Maturities (In years)	Fair Value
United States Treasury	AA+	1 to 5	\$ 1,322,990

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

The School Board 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 in puts.

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

- Level 1 type of investments of \$1,322,990 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.

*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.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirements does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

### 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	Title I A Basic Fund	\$ 354,764
	Other Governmental Funds	435,386
	Fiduciary Funds	10,732
Other Governmental Funds	Other Governmental Funds	30,000
Total		<u>\$ 830,882</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amount due to agency funds. Payments are made of amounts due between funds within three months.

## Starkville-Oktibbeha Consolidated School District

Notes to the Financial Statements  
For the Year Ended June 30, 2016

### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I A Basic Fund	\$ 38,141
	Other Governmental Funds	317,490
Title I A Basic Fund	Other Governmental Funds	137,058
Other Governmental Funds	Other Governmental Funds	67,340
	Title I A Basic Fund	76,519
	General Fund	220,181
Total		\$ <u>856,729</u>

The primary reason of the interfund transfers out of the general fund was to transfer sixteenth section interest funds to other funds. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$1,329,784, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance totaling \$147,132, of the 2007 Bond Issue Debt Service Fund.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$121,296, of the MAEP Retirement Fund.

In addition, the restricted assets represent the cash balance totaling \$358,710, of the QSCB 2009 Bond Fund.

In addition, the restricted assets represent the cash with fiscal agents and investment balance totaling \$125,001 and \$1,322,990, respectively, of the QSCB Retirement Fund.

# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

### Note 5 - Capital Assets

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

	Balance *			Completed		Balance
	7-1-2015	Additions	Retirements	Construction	Adjustments	6-30-2016
<b>Non-depreciable capital assets:</b>						
Land	\$ 198,920					198,920
Construction in progress	1,225,699			(637,913)	(587,786)	0
Total non-depreciable capital assets	1,424,619	0	0	(637,913)	(587,786)	198,920
<b>Depreciable capital assets:</b>						
Buildings	44,713,646			637,913		45,351,559
Building improvements	4,685,960					4,685,960
Improvements other than buildings	4,056,906	82,700				4,139,606
Mobile equipment	4,500,553	727,801	15,879		(85,302)	5,127,173
Furniture and equipment	1,889,018	25,670	21,444		(219,478)	1,673,766
Leased property under capital leases	789,109					789,109
Total depreciable capital assets	60,635,192	836,171	37,323	637,913	(304,780)	61,767,173
<b>Less accumulated depreciation for:</b>						
Buildings	14,713,071	813,500				15,526,571
Building improvements	669,979	176,124				846,103
Improvements other than buildings	1,373,686	155,513				1,529,199
Mobile equipment	3,257,309	250,794	14,291		(90,774)	3,403,038
Furniture and equipment	1,530,300	97,262	19,568		(224,536)	1,383,458
Leased property under capital leases	213,059	71,020				284,079
Total accumulated depreciation	21,757,404	1,564,213	33,859	0	(315,310)	22,972,448
Total depreciable capital assets, net	38,877,788	(728,042)	3,464	637,913	10,530	38,794,725
Governmental activities capital assets, net	\$ 40,302,407	(728,042)	3,464	0	(577,256)	38,993,645

\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 1,094,949
Support services	312,843
Non-instructional	156,421
Total depreciation expense	\$ 1,564,213



# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

### Note 6 - Long-Term Liabilities

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

						Amounts due	
		Balance*		Special	Balance	within one	
		7-1-2015	Additions	Reductions	Items	6-30-2016	year
A.	General obligation bonds payable	\$ 18,685,000		2,445,000		16,240,000	1,525,000
B.	Limited obligation bonds payable	1,375,000		380,000		995,000	400,000
	Premium	14,653		5,672		8,981	5,672
C.	Three mills note payable	7,235,000		710,000		6,525,000	735,000
D.	Obligations under capital leases	549,531		140,494		409,037	113,832
E.	Obligations under energy efficiency leases	418,783			418,783	0	
F.	Qualified school construction bonds payable	5,780,000				5,780,000	
G.	Compensated absences payable	433,314	23,413			456,727	
Total		\$ 34,491,281	23,413	3,681,166	418,783	30,414,745	2,779,504

\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts. See Notes 10 and 16 for further details.

#### A. General obligations bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GOB, Series 2003	2.89%	06-25-03	12-01-15	\$ 7,470,000	0
GOB, Series 2007	3.60%	12-21-07	03-01-20	5,000,000	2,700,000
GOB, Series 2008	5.00%	10-15-08	09-01-23	9,925,000	6,750,000
GOB, Series 2009	3.75%	10-22-09	09-01-24	8,575,000	6,790,000
Total				\$ 30,970,000	16,240,000

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

#### 1. General Obligation Bond Series 2003:

This debt was paid off and retired from the Bond Issue Debt Service Fund (#4031).

# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 2. General Obligation Bond Series 2007:

Year Ending June 30		Principal	Interest	Total
2017	\$	525,000	97,200	622,200
2018		625,000	78,300	703,300
2019		800,000	55,800	855,800
2020		750,000	27,000	777,000
Total	\$	<u>2,700,000</u>	<u>258,300</u>	<u>2,958,300</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4037).

### 3. General Obligation Bond Series 2008:

Year Ending June 30		Principal	Interest	Total
2017	\$	650,000	235,656	885,656
2018		675,000	204,641	879,641
2019		675,000	178,063	853,063
2020		625,000	155,313	780,313
2021		650,000	133,000	783,000
2022 - 2024		3,475,000	185,062	3,660,062
Total	\$	<u>6,750,000</u>	<u>1,091,735</u>	<u>7,841,735</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4037).

### 4. General Obligation Bond Series 2009:

Year Ending June 30		Principal	Interest	Total
2017	\$	350,000	222,681	572,681
2018		400,000	210,276	610,276
2019		425,000	197,400	622,400
2020		425,000	184,650	609,650
2021		575,000	169,291	744,291
2022 -2025		4,615,000	345,103	4,960,103
Total	\$	<u>6,790,000</u>	<u>1,329,401</u>	<u>8,119,401</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4037).

# Starkville-Oktibbeha Consolidated School District

Notes to the Financial Statements  
For the Year Ended June 30, 2016

Total general obligations bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2017	\$	1,525,000	555,537	2,080,537
2018		1,700,000	493,217	2,193,217
2019		1,900,000	431,263	2,331,263
2020		1,800,000	366,963	2,166,963
2021		1,225,000	302,291	1,527,291
2022 - 2025		8,090,000	530,165	8,620,165
Total	\$	<u>16,240,000</u>	<u>2,679,436</u>	<u>18,919,436</u>

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 4% of property assessments as of October 1, 2015.

## B. Limited obligations bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2009	2.0-3.0%	10-22-09	02-01-18	\$ 1,460,000	365,000
State Aid Capital Improvement Bonds, Series 2011	2.00%	10-28-11	02-01-18	<u>1,345,000</u>	<u>630,000</u>
Total				<u>\$ 2,805,000</u>	<u>995,000</u>

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

### 1. State Aid Capital Improvement Bonds Series 2009:

Year Ending June 30		Principal	Interest	Total
2017	\$	180,000	10,950	190,950
2018		<u>185,000</u>	<u>5,550</u>	<u>190,550</u>
Total	\$	<u>365,000</u>	<u>16,500</u>	<u>381,500</u>

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

This debt will be retired from the MAEP Retirement Fund (#4041).

#### 2. State Aid Capital Improvement Bonds Series 2011:

Year Ending June 30		Principal	Interest	Total
2017	\$	220,000	10,400	230,400
2018		410,000	6,000	416,000
Total	\$	<u>630,000</u>	<u>16,400</u>	<u>646,400</u>

This debt will be retired from the MAEP Retirement Fund (#4041).

Total limited obligations bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2017	\$	400,000	21,350	421,350
2018		595,000	11,550	606,550
Total	\$	<u>995,000</u>	<u>32,900</u>	<u>1,027,900</u>

+

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

#### C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note Series 2014	2.49%	03-12-14	03-01-29	\$ 5,200,000	4,165,000
Limited Tax Note Series 2014	1.46-3.63%	08-26-14	08-26-29	2,500,000	2,360,000
				<u>\$ 7,700,000</u>	<u>6,525,000</u>

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

# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

### 1. Three Mill Note Series 2014:

Year Ending June 30		Principal	Interest	Total
2017	\$	590,000	103,709	693,709
2018		610,000	89,017	699,017
2019		635,000	73,829	708,829
2020		585,000	58,017	643,017
2021		355,000	43,451	398,451
2022 - 2026		915,000	117,528	1,032,528
2027 - 2029		475,000	31,748	506,748
Total	\$	<u>4,165,000</u>	<u>517,299</u>	<u>4,682,299</u>

This debt will be retired from the Limited Tax Note Debt Service Fund (#4021).

### 2. Limited Tax note Series 2014:

Year Ending June 30		Principal	Interest	Total
2017	\$	145,000	66,519	211,519
2018		150,000	64,040	214,040
2019		155,000	61,055	216,055
2020		160,000	57,598	217,598
2021		155,000	53,774	208,774
2022 - 2026		845,000	204,485	1,049,485
2027 - 2030		750,000	66,904	816,904
Total	\$	<u>2,360,000</u>	<u>574,375</u>	<u>2,934,375</u>

This debt will be retired from the Oktibbeha County Limited Tax Note Fund (#4023).

Total limited obligations bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2017	\$	735,000	170,228	905,228
2018		760,000	153,057	913,057
2019		790,000	134,884	924,884
2020		745,000	115,615	860,615
2021		510,000	97,225	607,225
2022 - 2026		1,760,000	322,013	2,082,013
2027 - 2030		1,225,000	98,652	1,323,652
Total	\$	<u>6,525,000</u>	<u>1,091,674</u>	<u>7,616,674</u>

## Starkville-Oktibbeha Consolidated School District

Notes to the Financial Statements  
For the Year Ended June 30, 2016

### D. Obligations under capital leases

The school district has entered into lease agreements as lessee for financing the acquisition of capital assets. The leases qualify as a capital lease for accounting purposes. Leases currently outstanding are as following:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Equipment Lease - 2006	4.28%	09-01-06	06-01-16	\$ 243,583	0
2. Buses lease - 2012	2.12%	08-12-12	12-03-19	789,109	409,037
Total				<u>\$ 1,032,692</u>	<u>409,037</u>

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

#### 1. Equipment Lease 2006

This debt was paid off and retired from the District Maintenance Fund.

#### 2. Buses Lease - 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 113,832	8,074	121,906
2018	116,258	5,648	121,906
2019	118,736	3,170	121,906
2020	<u>60,211</u>	<u>639</u>	<u>60,850</u>
Total	<u>\$ 409,037</u>	<u>17,531</u>	<u>426,568</u>

This debt will be retired from the EEF Building and Buses Fund.

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.

### E. Obligations under energy efficiency leases

See the Special Items Note 16.

### F. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds - 2009	0.00%	10-08-09	09-15-24	\$ 3,000,000	3,000,000
2. Qualified school construction bonds - 2014	0.00%	06-15-14	06-15-28	2,780,000	2,780,000
Total				\$ <u>5,780,000</u>	<u>5,780,000</u>

#### **F. 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 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

## **Starkville-Oktibbeha Consolidated School District**

### Notes to the Financial Statements

For the Year Ended June 30, 2016

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 \$4,441,235, \$4,638,216, and \$4,551,510, 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 \$72,865,588 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 0.471377 percent, which was based on a measurement date of June 30, 2015. This was an decrease of 0.001553 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 \$6,817,065. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,017,800	\$
Net difference between projected and actual earnings on pension plan investments		4,066,559
Changes of assumptions	6,277,123	
Changes in proportionate and differences between District contributions and proportionate share of contributions	(63,542)	(1,570,176)
District contributions subsequent to the measurement date	4,441,235	
Total	<u>\$ 12,672,616</u>	<u>\$ 2,496,383</u>

\$4,441,235 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, 2017. 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	\$ 1,918,633
2018	1,856,640
2019	893,871
2020	1,065,854
Total	<u>\$ 5,734,998</u>

*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:

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

# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

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	<u>100%</u>	

*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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ <u>96,043,521</u>	\$ <u>72,865,588</u>	\$ <u>53,632,238</u>

*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 and all funds arising from any disposition thereof. It is the duty of the school board to manage the

## **Starkville-Oktibbeha Consolidated School District**

### Notes to the Financial Statements For the Year Ended June 30, 2016

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	\$	137,573
2018		131,652
2019		123,967
2020		109,431
2021		102,146
2022 - 2026		458,497
2027 - 2031		396,493
2032 - 2036		335,464
2037 - 2041		136,037
Thereafter		107,360
Total	\$	<u>2,038,620</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.

**Litigation** - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### **Note 10 - School District Consolidation**

As a result of the Regular Session Senate Bill No. 2392 passed by the Mississippi Legislature, January 1, 2013, the Oktibbeha County School District was consolidated with Starkville School District to form a new school district know as Starkville-Oktibbeha Consolidated School

# Starkville-Oktibbeha Consolidated School District

## Notes to the Financial Statements For the Year Ended June 30, 2016

District. The intent of the statutory consolidation is to enable Starkville-Oktibbeha Consolidated School District to save money and provide better education. The initial opening balances of Starkville-Oktibbeha Consolidated School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Oktibbeha County School District and Starkville School District as of June 30, 2015 as follows:

	Oktibbeha County School District	Starkville School District	Total	Adjustments Debit (Credit)	Total
<b>Assets</b>					
Current assets	\$ 2,243,137	9,242,026	11,485,163		11,485,163
Restricted assets	1,402,472	3,017,090	4,419,562		4,419,562
Capital assets, net	3,629,220	36,673,187	40,302,407		40,302,407
Total assets	7,274,829	48,932,303	56,207,132	0	56,207,132
<b>Deferred outflows of resources</b>	958,268	4,980,672	5,938,940	0	5,938,940
<b>Liabilities</b>					
Current liabilities	545,633	2,577,366	3,122,999		3,122,999
Long-term debt outstanding	3,808,685	30,682,596	34,491,281		34,491,281
Net pension liability	10,074,681	47,390,324	57,465,005		57,465,005
Total liabilities	14,428,999	80,650,286	95,079,285	0	95,079,285
<b>Deferred inflows of resources</b>	1,977,847	6,869,576	8,847,423	0	8,847,423
<b>Net position</b>					
Net investment in capital assets	279,567	7,418,970	7,698,537		7,698,537
Restricted	2,198,957	7,776,960	9,975,917		9,975,917
Unrestricted	(10,652,273)	(48,802,817)	(59,455,090)		(59,455,090)
Total net position (deficit)	\$ (8,173,749)	(33,606,887)	(41,780,636)	0	(41,780,636)

## Note 11 - Risk Management

The school district is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, 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.

## **Starkville-Oktibbeha Consolidated School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2016

### **Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Board Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

### **Note 12 - Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credits rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credits is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$1,447,991. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedules report the annual deposits to be made to the sinking fund by the school district.

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

#### 1. Qualified school construction bonds series 2009:

Year Ending June 30		Amount
2017	\$	214,286
2018		214,286
2019		214,286
2020		214,286
2021		214,286
2022 - 2025		857,144
Total	\$	<u>1,928,574</u>

#### 2. Qualified school construction bonds series 2014:

Year Ending June 30		Amount
2017	\$	125,000
2018		125,000
2019		125,000
2020		125,000
2021		125,000
2022 - 2026		1,080,000
2027 - 2028		750,000
Total	\$	<u>2,455,000</u>

EEF Building and Buses revenue will be pledged to go toward the sinking fund payments after 2019.

## Starkville-Oktibbeha Consolidated School District

### Notes to the Financial Statements For the Year Ended June 30, 2016

Total payment for all issues:

Year Ending June 30	Amount
2017	\$ 339,286
2018	339,286
2019	339,286
2020	339,286
2021	339,286
2022 - 2026	1,937,144
2027 - 2028	750,000
Total	\$ <u>4,383,574</u>

### Note 13 - Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustments were made to properly present capital assets.	\$ (577,256)
2. See below	11,630
3. To correct net pension liability	59,963
Total	\$ <u>(505,663)</u>

#### Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To reverse payables and write off old outstanding checks.	\$ 11,863
Limited Tax Note 2013/2014 Issue Fund	To code prior year expenditures to correct fund.	24,497
Other Governmental Funds	To record refund in the correct year and to code prior year expenditures to correct fund.	(24,730)
Total		\$ <u>11,630</u>

## **Starkville-Oktibbeha Consolidated School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2016

### **Note 14 - Insurance Loss Recoveries**

The Starkville-Oktibbeha Consolidated School District received \$12,610 in insurance loss recoveries related to fence property damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services and allocated among the expense function.

### **Note 15 - Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$58,180,250) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$12,672,616 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$58,180,250) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,496,383 balance of deferred inflow of resources, at June 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

### **Note 16 - Special Items**

Starkville School District acquired an energy efficiency lease in the amount of \$418,783 from Oktibbeha County School District during the consolidation. The Starkville-Oktibbeha Consolidated School District and the leasing company agreed to cancel the lease and to release the School District from the respective liability.

### **Note 17 - 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 that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Starkville-Oktibbeha Consolidated School District evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On May 10, 2016, the Board approved the resolution of intent to borrow up to \$16 million for the Partnership School and other projects within the school district to accommodate consolidation. The School District is to contribute \$10 million to the Partnership School. The State of Mississippi and Mississippi State University (MSU) will match. The state is giving the School District \$5 million the first year and \$5 million the second year. MSU has donated \$5 million in land and will contribute another \$5 million. The bonding authority of



## **Starkville-Oktibbeha Consolidated School District**

### **Notes to the Financial Statements**

**For the Year Ended June 30, 2016**

2.9 mills rolls off in October and will generate \$16 million. The total expected cost of the facility is approximately \$25 million.

On July 12, 2016, the School District was approved to borrow a maximum amount of \$500,000 from the Sixteenth section funds to purchase 6 buses.

On July 12, 2016, the School District's Board approved to issue \$5,475,000 in General Obligation bonds.

On August 9, 2016, the School District was approved \$2,500,000 in Tax Anticipation Note which will bear interest of 0.38%.

## REQUIRED SUPPLEMENTARY INFORMATION

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

Exhibit 1

Budgetary Comparison Schedule

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
<b>Revenues:</b>					
Local sources	\$ 18,645,000	19,410,514	19,415,172	765,514	4,658
Intermediate sources		85	85	85	-
State sources	23,085,626	22,970,029	22,980,029	(115,597)	10,000
Federal sources	334,500	270,226	309,857	(64,274)	39,631
Sixteenth section sources	151,175	387,256	391,087	236,081	3,831
Total Revenues	42,216,301	43,038,110	43,096,230	821,809	58,120
<b>Expenditures:</b>					
Instruction	23,946,809	23,942,842	23,942,071	3,967	771
Support services	15,395,638	16,049,097	16,050,231	(653,459)	(1,134)
Noninstructional services	750,000			750,000	-
Sixteenth section		30,694	23,194	(30,694)	7,500
Facilities acquisition and construction				-	-
Debt service:					
Principal	90,970	29,037	29,037	61,933	-
Interest	111,551	46,046	46,004	65,505	42
Other		149	149	(149)	-
Total Expenditures	40,294,968	40,097,865	40,090,686	197,103	7,179
Excess (Deficiency) of Revenues over (under) Expenditures	1,921,333	2,940,245	3,005,544	1,018,912	65,299
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans				-	-
Insurance recovery		12,610	12,610	12,610	-
Sale of other property		5,000	5,000	5,000	-
Transfers in	4,604,104	206,205	355,631	(4,397,899)	149,426
Other financing sources		925,888		925,888	(925,888)
Transfers out	(4,690,568)	(4,691,615)	(220,181)	(1,047)	4,471,434
Total Other Financing Sources (Uses)	(86,464)	(3,541,912)	153,060	(3,455,448)	3,694,972
Net Change in Fund Balances	1,834,869	(601,667)	3,158,604	(2,436,536)	3,760,271
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	1,672,630	869,475	-	(803,155)	(869,475)
*Statutory Consolidation - Starkville School District, June 30, 2015			869,476	-	869,476
*Statutory Consolidation - Oktibbeha County School District, June 30, 2015			925,889	-	925,889
July 1, 2015, at inception	1,672,630	869,475	1,795,365	(803,155)	925,890
Prior period adjustments		11,862	11,863	11,862	1
July 1, 2015, as restated	1,672,630	881,337	1,807,228	(791,293)	925,891
June 30, 2016	\$ 3,507,499	279,670	4,965,832	(3,227,829)	4,686,162

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

\* As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The final fund balances of the two districts are being reported to accurately state the fund balances of the new entity, Starkville-Oktibbeha Consolidated School District.

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

Exhibit 2

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 2,808,834	3,554,747	2,425,672	745,913	(1,129,075)
Total Revenues	<u>2,808,834</u>	<u>3,554,747</u>	<u>2,425,672</u>	<u>745,913</u>	<u>(1,129,075)</u>
<b>Expenditures:</b>					
Instruction	1,110,798	2,260,432	1,507,547	(1,149,634)	752,885
Support services	1,669,307	1,250,432	929,164	418,875	321,268
Noninstructional services	23,007	46,985	11,359	(23,978)	35,626
Total Expenditures	<u>2,803,112</u>	<u>3,557,849</u>	<u>2,448,070</u>	<u>(754,737)</u>	<u>1,109,779</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,722</u>	<u>(3,102)</u>	<u>(22,398)</u>	<u>(8,824)</u>	<u>(19,296)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in		136,433	137,058	136,433	625
Operating transfers out	<u>(5,721)</u>	<u>(135,131)</u>	<u>(114,660)</u>	<u>(129,410)</u>	<u>20,471</u>
Total Other Financing Sources (Uses)	<u>(5,721)</u>	<u>1,302</u>	<u>22,398</u>	<u>7,023</u>	<u>21,096</u>
Net Change in Fund Balances	<u>1</u>	<u>(1,800)</u>	<u>-</u>	<u>(1,801)</u>	<u>1,800</u>
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	<u>\$ 1</u>	<u>(1,800)</u>	<u>-</u>	<u>(1,801)</u>	<u>1,800</u>

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

**Starkville-Oktibbeha Consolidated School District**

## Schedule of the District's Proportionate Share of the Net Pension Liability

## PERS

## Last 10 Fiscal Years\*

	2016	2015	
District's proportion of the net pension liability (asset)	\$ 72,865,588	57,465,005	**
District's proportionate share of the net pension liability (asset)	0.471377%	0.472930%	
District's covered - employee payroll	29,448,990	28,898,476	
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.85%	
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%	

\* 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.

\*\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts.

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.

**Starkville-Oktibbeha Consolidated School District**

## Schedule of District Contributions

## PERS

## Last 10 Fiscal Years\*

	2016	2015
Contractually required contribution	\$ 4,441,235	4,638,216 **
Contributions in relation to the contractually required contribution	4,441,235	4,638,216
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	28,198,317	29,448,990
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.

\*\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts.

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.

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Starkville-Oktibbeha Consolidated School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2016

### Budgetary Comparison Schedules

(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. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

### Pension Schedules

(1) Changes of benefit terms

None

(2) 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

**Starkville-Oktibbeha Consolidated School District**  
Schedule of Expenditure of Federal Awards  
For the Year Ended June 30, 2016

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 622,246
National School Lunch Program	10.555	2,074,064
Summer Food Service Program for Children	10.559	88,011
Total Child Nutrition Cluster		<u>2,784,321</u>
Total passed-through Mississippi Department of Education		<u>2,784,321</u>
<b>Total U. S. Department of Agriculture</b>		<u>2,784,321</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Programs	12.xxx	<u>65,747</u>
<b>Total U. S. Department of Defense</b>		<u>65,747</u>
<b><u>U.S. Department of Interior</u></b>		
Direct Program:		
Payment in Lieu of Taxes	15.226	409
National Wildlife Refuge Fund	15.659	<u>37,019</u>
<b>Total U. S. Department of Interior</b>		<u>37,428</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	<u>586</u>
<b>Total Federal Communications Commission</b>		<u>586</u>
<b><u>U. S. Department of Education</u></b>		
Direct Program:		
Elementary and Secondary School Counseling Programs	84.215E	4,952
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	2,893,838
Career and Technical Education - Basic Grants to States	84.048	62,650
Education of Homeless Children and Youth	84.196	33,992
Twenty-first Century Community Learning Centers	84.287	611,762
Rural Education	84.358	151,586
Supporting Effective Instruction State Grant	84.367	664,944
Subtotal		<u>4,423,724</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,354,850
Special Education - Preschool Grants	84.173	54,029
Total Special Education Cluster		<u>1,408,879</u>
Total passed-through the Mississippi Department of Education		<u>5,827,651</u>
<b>Total U.S Department of Education</b>		<u>5,832,603</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Direct Program:		
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	229,880
Community-Based Child Abuse Prevention Grants	93.590	196,092
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	<u>36,309</u>
Total passed-through the Mississippi Department of Education		<u>36,309</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>462,281</u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>	<b>\$</b>	<u><u>9,182,966</u></u>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. The School District did not elect to use the 10% de minimis indirect cost rate.

**Starkville-Oktibbeha Consolidated School District****Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 39,617,533	28,913,528	1,195,226	2,622,736	6,886,043
Other	17,659,417	5,207,469	750,461	97,020	11,604,467
Total	\$ <u>57,276,950</u>	<u>34,120,997</u>	<u>1,945,687</u>	<u>2,719,756</u>	<u>18,490,510</u>
Total number of students *	<u>4,705</u>				
Cost per student	\$ <u>12,174</u>	<u>7,252</u>	<u>414</u>	<u>578</u>	<u>3,930</u>

For purpose of this schedule, the following columnar descriptions are applicable:

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 functions: Support Services - School Administration.

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

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

## OTHER INFORMATION

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 19,415,172	18,120,202	16,740,101	16,518,592
Intermediate sources	85	13,029	6,833	-
State sources	22,980,029	21,677,924	21,497,741	21,203,468
Federal sources	309,857	414,460	407,524	522,255
Sixteenth section sources	391,087	219,237	-	-
Total Revenues	<u>43,096,230</u>	<u>40,444,852</u>	<u>38,652,199</u>	<u>38,244,315</u>
<b>Expenditures:</b>				
Instruction	23,942,071	24,799,400	24,237,622	23,864,974
Support services	16,050,231	16,603,922	17,330,439	16,111,918
Noninstructional services	-	19,696	52,349	88,788
Sixteenth section	23,194	37,433	-	-
Facilities acquisition and construction	-	8,100	12,365	228,891
Debt service:				
Principal	29,037	68,100	65,903	61,603
Interest	46,004	50,568	39,264	39,611
Other	149	-	-	-
Total Expenditures	<u>40,090,686</u>	<u>41,587,219</u>	<u>41,737,942</u>	<u>40,395,785</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,005,544</u>	<u>(1,142,367)</u>	<u>(3,085,743)</u>	<u>(2,151,470)</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	12,610	177,312	20,743	9,861
Sale of transportation equipment	-	9,051	-	18,058
Sale of other property	5,000	-	-	9,162
Operating transfers in	355,631	563,020	2,233,148	844,423
Operating transfers out	(220,181)	(346,239)	(146,334)	(504,042)
Other financing uses	-	-	-	1,761
Total Other Financing Sources (Uses)	<u>153,060</u>	<u>403,144</u>	<u>2,107,557</u>	<u>379,223</u>
Net Change in Fund Balances	<u>3,158,604</u>	<u>(739,223)</u>	<u>(978,186)</u>	<u>(1,772,247)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	-	1,223,919	1,671,734	2,987,003
** Statutory Consolidation - Starkville School District, June 30, 2015	869,476	-	-	-
** Statutory Consolidation - Oktibbeha County School District, June 30, 2015	925,889	-	-	-
July 1, at inception	<u>1,795,365</u>	<u>1,223,919</u>	<u>1,671,734</u>	<u>2,987,003</u>
Prior period adjustments	11,863	695,037	530,371	456,978
Fund reclassification	-	615,632	-	-
July 1, as restated	<u>1,807,228</u>	<u>2,534,588</u>	<u>2,202,105</u>	<u>3,443,981</u>
June 30,	<u>\$ 4,965,832</u>	<u>1,795,365</u>	<u>1,223,919</u>	<u>1,671,734</u>

\* SOURCE - PRIOR YEAR AUDIT REPORTS

\*\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts.

**STARKVILLE-OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 24,741,937	23,701,835	22,286,666	21,638,957
Intermediate sources	10,718	82,092	72,538	66,063
State sources	24,922,629	23,351,432	23,249,835	23,095,297
Federal sources	9,230,863	8,797,961	8,676,895	8,778,356
Sixteenth section sources	450,769	256,378	565,446	332,421
Total Revenues	<u>59,356,916</u>	<u>56,189,698</u>	<u>54,851,380</u>	<u>53,911,094</u>
<b>Expenditures:</b>				
Instruction	28,421,751	28,964,068	28,571,795	28,268,312
Support services	19,756,827	19,280,033	19,473,748	19,612,498
Noninstructional services	4,338,035	4,540,985	4,624,971	4,671,132
Sixteenth section	56,834	60,553	118,687	112,550
Facilities acquisition and construction	82,700	5,200,850	734,915	345,761
Debt service:				
Principal	3,675,494	3,517,541	2,527,883	2,292,889
Interest	930,729	974,261	925,390	1,013,071
Other	14,580	12,923	112,620	13,167
Total Expenditures	<u>57,276,950</u>	<u>62,551,214</u>	<u>57,090,009</u>	<u>56,329,380</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>2,079,966</u>	<u>(6,361,516)</u>	<u>(2,238,629)</u>	<u>(2,418,286)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	2,500,000	7,980,000	-
Inception of capital leases	-	-	-	789,109
Insurance recovery	12,610	177,312	20,743	9,861
Payments held by escrow agents	-	314,285	327,336	(214,279)
Sale of transportation equipment	-	9,051	-	18,058
Sale of other property	5,000	-	-	9,162
Transfer from QSCB debt service agent	-	-	-	214,279
Operating transfers in	856,729	4,847,571	2,591,478	1,552,013
Other financing sources	339,286	12,374	4,500	1,784
Operating transfers out	(856,729)	(4,847,571)	(2,591,478)	(1,552,013)
Other financing uses	(339,286)	(314,285)	(341,286)	(1)
Total Other Financing Sources (Uses)	<u>17,610</u>	<u>2,698,737</u>	<u>7,991,293</u>	<u>827,973</u>
Net Change in Fund Balances	<u>2,097,576</u>	<u>(3,662,779)</u>	<u>5,752,664</u>	<u>(1,590,313)</u>
<b>Fund Balances:</b>				
July 1, as previously reported	-	16,042,009	9,985,518	11,163,459
** Statutory Consolidation - Starkville School District, June 30, 2015	9,941,797	-	-	-
** Statutory Consolidation - Oktibbeha County School District, June 30, 2015	3,167,358	-	-	-
July 1, at inception	<u>13,109,155</u>	<u>16,042,009</u>	<u>9,985,518</u>	<u>11,163,459</u>
Prior period adjustments	11,630	731,734	294,163	391,654
July 1, as restated	<u>13,120,785</u>	<u>16,773,743</u>	<u>10,279,681</u>	<u>11,555,113</u>
Increase (Decrease) in inventory	18,799	(1,809)	9,664	20,718
June 30,	<u>\$ 15,237,160</u>	<u>13,109,155</u>	<u>16,042,009</u>	<u>9,985,518</u>

\* \*SOURCE - PRIOR YEAR AUDIT REPORTS

\*\* As result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislative on January 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts represent both school districts.

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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*

Superintendent and School Board  
Starkville-Oktibbeha Consolidated School District

We 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 Starkville-Oktibbeha Consolidated School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Starkville-Oktibbeha Consolidated School District's basic financial statements, and have issued our report thereon dated January 6, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as Finding 2016-001.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Starkville-Oktibbeha Consolidated School District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Starkville-Oktibbeha Consolidated School District's Response to Finding**

The Starkville-Oktibbeha Consolidated School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Starkville-Oktibbeha Consolidated School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
January 6, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Starkville-Oktibbeha Consolidated School District

**Report on Compliance for Each Major Federal Program**

We have audited Starkville-Oktibbeha Consolidated 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 Starkville-Oktibbeha Consolidated School District's major federal programs for the year ended June 30, 2016. The Starkville-Oktibbeha Consolidated School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Starkville-Oktibbeha Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination on the school district's compliance.

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## Opinion on Each Major Federal Program

In our opinion, the Starkville-Oktibbeha Consolidated School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the Starkville-Oktibbeha Consolidated 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 our audit of compliance, we considered Starkville-Oktibbeha Consolidated 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 6, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Starkville-Oktibbeha Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville-Oktibbeha Consolidated School District as of and for the year ended June 30, 2016, which collectively comprise the Starkville-Oktibbeha Consolidated School District's basic financial statements and have issued our report thereon dated January 6, 2017. We conducted our 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 ensure 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, we 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 our audit and, accordingly, we do not express such an opinion.

The results of our 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 ensure 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 our 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, we 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 our audit and, accordingly, we do not express such an opinion.

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

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This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 6, 2017

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Starkville-Oktibbeha Consolidated School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

#### Section I: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
84.367	Supporting Effective Instruction State Grant

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.



## Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

### **Significant Deficiencies:**

#### **Finding 2016-001**

##### Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

##### Condition:

While performing our review of athletic game receipts, we noted evidence that the beginning and ending ticket numbers were not being consistently accounted for. Cash count sheets were not attested to by signatures of at least two individuals counting and completing the bank deposit forms.

##### Cause:

Internal control procedures were not in place to ensure that proceeds from games were accurately documented and signed by at least two individuals attesting the amount deposited is correct.

##### Effect:

Without strong internal controls in place to ensure cash received from athletic games is accounted and accurately documented, the district increases the risk that unauthorized or inappropriate use of the funds from athletic games would not be detected in a timely manner. This could also result in cash being understated.

##### Recommendation:

We recommend the district revise its system of cash collections process whereby there would be at least two individuals present to ensure cash collected is all accounted for and signed by those individuals attesting to the amount for deposit.

## Section III: Findings and Questioned Costs for Federal Awards

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

**AUDITEE'S CORRECTIVE ACTION PLAN AND  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

# STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

GREENSBORO CENTER, 401 GREENSBORO STREET  
STARKVILLE, MS 39759



LEWIS HOLLOWAY, ED.D.  
SUPERINTENDENT

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## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Starkville-Oktibbeha Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2016:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2016-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Tammie McGarr Phone Number: 662-615-0016</p> <p>b. Corrective Action Planned: The Starkville-Oktibbeha Consolidated School District has already put into place corrective measures to ensure that cash collected is all accounted for. Athletic game tickets are now issued by the central office. In addition, at least two individuals are required to count cash on hand and this count has to be attested to by their signatures.</p> <p>c. Anticipated Completion Date: Already corrected</p>

# STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Starkville-Oktibbeha Consolidated School District has prepared and hereby submits the following summary schedule of prior year audit findings for the year ended June 30, 2016:

	<u>Finding</u>	<u>Status</u>
Starkville School District	2015-004	Corrected
	2015-005	Corrected
Oktibbeha County School District	2015-001	Corrected
	2015-002	Corrected
	2015-003	Corrected