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Vicksburg Warren School District

Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

**Vicksburg Warren 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
Vicksburg Warren 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 Vicksburg Warren School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren 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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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 Vicksburg Warren 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 the Schedule of District Contributions on pages 8 to 17 and 54 to 60 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 Vicksburg Warren 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 April 6, 2017, on our consideration of the Vicksburg Warren 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 Vicksburg Warren School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 6, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of Vicksburg Warren 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 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 \$3,618,961, including a prior period adjustment of (\$14,450), which represents a 9% increase from fiscal year 2015. Total net position for 2015 decreased \$89,489,669, including a prior period adjustment of (\$93,222,393), which represents a 182% decrease from the 2014 fiscal year.
- General revenues amounted to \$69,240,056, and \$63,971,862, or 84% and 83% 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 \$13,671,670, or 16% of total revenues for 2016, and \$12,818,455, or 17% of total revenues for 2015.
- The District had \$79,278,315 and \$73,057,593 in expenses for fiscal years 2016 and 2015; only \$13,671,670 for 2016 and \$12,818,455 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$69,240,056 for 2016 and \$63,971,862 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$68,077,200 in revenues and \$61,595,118 in expenditures for 2016, and \$63,291,508 in revenues and \$60,982,601 in expenditures in 2015. The General Fund's fund balance increased by \$4,344,899, from 2015 to 2016 and increased by \$6,950,800, including a fund reclassification of the Sixteenth Section Interest Funds from Special Revenue Funds to General Fund in the amount of \$6,295,521 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$6,143,332 for 2016 and decreased by \$610,764 for 2015. The increase for 2016 was due to the net effect of a \$7,788,085 addition of assets coupled with the loss on disposal of \$54,079 less the increase in accumulated depreciation of \$1,590,674.
- Long-term debt increased by \$6,977,874 for 2016 and decreased by \$1,858,417 for 2015. The increase for 2016 was due primarily to the net effect of issuance of new long-term debt and principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$30,097 for 2016 and decreased by \$76,593 for the fiscal year 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements,

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 non-fiduciary 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 and other costs on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 other 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 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 actual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

Notes to the Financial Statements

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

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 Net Pension Liability, and Schedule of District Contributions as 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 District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$36,608,214 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.

**VICKSBURG WARREN 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	\$ 24,231,868	18,707,922	29.53%
Restricted assets	6,620,959	4,968,255	33.27%
Capital assets, net	44,634,625	38,491,293	15.96%
Total assets	<u>75,487,452</u>	<u>62,167,470</u>	<u>21.43%</u>
Deferred outflows of resources	<u>18,163,446</u>	<u>7,947,661</u>	<u>128.54%</u>
Current liabilities	1,728,928	828,457	108.69%
Long-term debt outstanding	17,872,027	10,894,153	64.05%
Net pension liability	105,114,590	82,539,548	27.35%
Total liabilities	<u>124,715,545</u>	<u>94,262,158</u>	<u>32.31%</u>
Deferred inflows of resources	<u>5,543,567</u>	<u>16,080,148</u>	<u>-65.53%</u>
Net position:			
Net investment in capital assets	29,098,293	28,263,117	2.96%
Restricted	10,214,543	8,624,099	18.44%
Unrestricted	(75,921,050)	(77,114,391)	1.55%
Total net position (deficit)	<u>\$ (36,608,214)</u>	<u>(40,227,175)</u>	<u>9.00%</u>

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)	\$ (75,921,050)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	92,494,711
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 16,573,661</u>

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

- Increase in net capital assets in the amount of \$6,143,332.
- The principal retirement of \$2,055,000 of long-term debt.
- Issuance of long-term debt in the amount of \$9,022,169.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$82,911,726 and \$76,790,317, respectively. The total cost of all programs and services was \$79,278,315 for 2016 and \$73,057,593 for 2015.

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

Table 2
Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,263,519	1,299,240	-2.75%
Operating grants and contributions	12,408,151	11,519,215	7.72%
General revenues:			
Taxes	31,125,002	28,092,685	10.79%
Grants and contributions not restricted	37,173,414	35,279,751	5.37%
Investment earnings	48,521	26,437	83.53%
Sixteenth section sources	849,380	535,862	58.51%
Other	43,739	37,127	17.81%
Total revenues	<u>82,911,726</u>	<u>76,790,317</u>	<u>7.97%</u>
Expenses:			
Instruction	41,001,933	39,220,310	4.54%
Support services	26,109,110	26,085,804	0.09%
Non-instructional	3,184,558	3,226,877	-1.31%
Sixteenth section	30,560	26,962	13.34%
Pension expense	8,426,487	4,109,711	105.04%
Interest on long-term liabilities	525,667	387,929	35.51%
Total expenses	<u>79,278,315</u>	<u>73,057,593</u>	<u>8.51%</u>
Increase in net position	<u>3,633,411</u>	<u>3,732,724</u>	<u>-2.66%</u>
Net Position (Deficit), July 1, as previously reported	(40,227,175)	49,262,494	-181.66%
Prior Period Adjustment	(14,450)	(93,222,393)	99.98%
Net Position (Deficit), July 1, as restated	(40,241,625)	(43,959,899)	8.46%
Net Position (Deficit), June 30	<u>\$ (36,608,214)</u>	<u>(40,227,175)</u>	<u>9.00%</u>

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.

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage
	June 30, 2016	June 30, 2015	Change
Instruction	\$ 41,001,933	39,220,310	4.54%
Support services	26,109,110	26,085,804	0.09%
Non-instructional	3,184,558	3,226,877	-1.31%
Sixteenth section	30,560	26,962	13.34%
Pension expense	8,426,487	4,109,711	105.04%
Interest and other costs on long-term liabilities	525,667	387,929	35.51%
Total expenses	\$ 79,278,315	73,057,593	8.51%
	Net (Expense) Revenue		
Instruction	\$ (34,532,919)	(34,702,879)	0.49%
Support services	(23,599,224)	(22,664,226)	-4.13%
Non-instructional	1,508,212	1,652,569	8.74%
Sixteenth section	(30,560)	(26,962)	-13.34%
Pension expense	(8,426,487)	(4,109,711)	-105.04%
Interest and other costs on long-term liabilities	(525,667)	(387,929)	-35.51%
Total net (expense) revenue	\$ (65,606,645)	(60,239,138)	8.91%

- Net cost of governmental activities (\$65,606,645 for 2016 and \$60,239,138 for 2015) was financed by general revenue, which is primarily made up of taxes (\$31,125,002 for 2016 and \$28,092,685 for 2015) and state and federal revenues (\$37,173,414 for 2016 and \$35,279,751 for 2015). In addition, there was \$849,380 and \$535,862 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$48,521 for 2016 and \$26,437 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 \$29,185,122, an increase of \$6,306,698, which includes a prior period adjustment of (\$14,450) and a decrease in inventory of \$11,454. \$18,331,197 or 63% of the fund balance is unassigned,

VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$10,853,925 or 37% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes 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 \$4,344,899. The fund balance of Other Governmental Funds showed an increase in the amount of \$1,952,812 which includes a prior period adjustment of (\$14,450) and a decrease in inventory of \$11,454. The other increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Part A Fund	no increase or decrease
Vocational Fund	no increase or decrease
16th Section Principal Fund	\$ 8,987

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 District. Beginning fund balance was adjusted to actual between the original and final budgets.

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 are 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 \$80,418,578, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$7,303,004 from 2015. Total accumulated depreciation as of June 30, 2016, was \$35,783,953, and total depreciation expense for the year was \$1,590,674, resulting in total net capital assets of \$44,634,625.

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

	June 30, 2016	June 30, 2015	Percentage Change
Land	\$ 1,056,845	1,056,845	0.00%
Construction in progress	7,211,218		N/A
Buildings	31,655,890	32,672,779	-3.11%
Building improvements	1,853,102	1,659,333	11.68%
Improvements other than buildings	431,000	369,245	16.72%
Mobile equipment	2,036,062	2,343,148	-13.11%
Furniture and equipment	390,508	389,943	0.14%
Total	\$ 44,634,625	38,491,293	15.96%

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 \$17,872,027 in outstanding long-term debt, of which \$2,328,392 is due within one year. The liability for compensated absences increased \$30,097 from the prior year.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2016	June 30, 2015	Percentage Change
General obligation refunding bond	\$ 2,600,000	3,410,000	-23.75%
Limited obligation bonds payable	2,515,000	3,760,000	-33.11%
Premium	38,784	58,176	-33.33%
Certificates of participation payable	450,000		N/A
Qualified zone academy bonds	8,572,169		N/A
Qualified school construction bonds payable	3,000,000	3,000,000	0.00%
Compensated absences payable	696,074	665,977	4.52%
Total	\$ 17,872,027	10,894,153	64.05%

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

CURRENT ISSUES

The Vicksburg Warren School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal controls is well regarded.

The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Enrollment for the 2015 – 2016 school year increased to 8,238 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

FINANCIAL STATEMENTS

Vicksburg Warren School District

Statement of Net Position June 30, 2016	Exhibit A
Assets	Governmental Activities
Cash and cash equivalents	\$ 20,911,376
Investments	11,026
Due from other governments	2,951,088
Inventories	76,005
Prepaid items	241,901
Other receivables	40,472
Restricted assets	6,620,959
Capital assets, non-depreciable:	
Land	1,056,845
Construction in progress	7,211,218
Capital assets, net of accumulated depreciation:	
Buildings	31,655,890
Building improvements	1,853,102
Improvements other than buildings	431,000
Mobile equipment	2,036,062
Furniture and equipment	390,508
Total Assets	75,487,452
Deferred Outflows of Resources	
Deferred outflows- pensions	18,163,446
Total deferred outflows of resources	18,163,446
Liabilities	
Accounts payable and accrued liabilities	1,373,792
Unearned revenue	293,913
Interest payable on long-term liabilities	61,223
Long-term liabilities, due within one year	
Capital related liabilities	2,328,392
Long-term liabilities, due beyond one year	
Capital related liabilities	14,847,561
Non-capital related liabilities	696,074
Net pension liability	105,114,590
Total Liabilities	124,715,545
Deferred Inflows of Resources	
Deferred inflows- pensions	5,543,567
Total deferred inflows of resources	5,543,567
Net Position	
Net investment in capital assets	29,098,293
Restricted for:	
Expendable:	
School-based activities	2,223,208
Capital improvements	3,885
Debt service	3,644,385
Forestry improvements	329,688
Unemployment benefits	161,933
Non-expendable:	
Sixteenth section	3,851,444
Unrestricted	(75,921,050)
Total Net Position (Deficit)	\$ (36,608,214)

Vicksburg Warren School District

Statement of Activities

For the Year Ended June 30, 2016

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in Net
			Contributions	Position
				Governmental
				Activities
Governmental Activities:				
Instruction	\$ 41,001,933	840,174	5,628,840	(34,532,919)
Support services	26,109,110	94,174	2,415,712	(23,599,224)
Non-instructional	3,184,558	329,171	4,363,599	1,508,212
Sixteenth section	30,560			(30,560)
Pension expense	8,426,487			(8,426,487)
Interest and other costs				
on long term liabilities	525,667			(525,667)
Total Governmental Activities	\$ 79,278,315	1,263,519	12,408,151	(65,606,645)
General Revenues:				
Taxes:				
General purpose levies				\$ 30,302,219
Debt purpose levies				187,502
Gaming				635,281
Unrestricted grants and contributions:				
State				36,486,967
Federal				686,447
Unrestricted investment earnings				48,521
Sixteenth section sources				849,380
Other				43,739
Total General Revenues				69,240,056
Change in Net Position				3,633,411
Net Position (Deficit) - Beginning, as previously reported				(40,227,175)
Prior period adjustment				(14,450)
Net Position (Deficit) - Beginning, as restated				(40,241,625)
Net Position (Deficit) - Ending				\$ (36,608,214)

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

Vicksburg Warren School District

Governmental Funds

**Balance Sheet
June 30, 2016**

Exhibit C

	Major Funds					
	General Fund	Title I Part A Fund	Vocational Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 17,586,239		363,791	3,852,688	4,086,346	25,889,064
Cash with fiscal agents					1,643,271	1,643,271
Investments	11,026				-	11,026
Due from other governments	1,128,643	507,728	45,754		1,268,963	2,951,088
Other receivables	39,929	541			2	40,472
Due from other funds	1,068,371					1,068,371
Inventories					76,005	76,005
Prepaid items	241,901					241,901
Total Assets	<u>20,076,109</u>	<u>508,269</u>	<u>409,545</u>	<u>3,852,688</u>	<u>7,074,587</u>	<u>31,921,198</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	887,844	1,881	365,809		118,258	1,373,792
Due to other funds		506,388	43,736		518,247	1,068,371
Unearned revenue	278,909			1,244	13,760	293,913
Total Liabilities	<u>1,166,753</u>	<u>508,269</u>	<u>409,545</u>	<u>1,244</u>	<u>650,265</u>	<u>2,736,076</u>
Fund Balances:						
Nonspendable						
Inventory					76,005	76,005
Permanent fund principal				3,851,444		3,851,444
Prepaid items	241,901					241,901
Restricted						
Capital Improvements					3,885	3,885
Debt service					3,705,608	3,705,608
Food service					1,400,095	1,400,095
Forestry improvements					329,688	329,688
Grant activities					747,108	747,108
Unemployment benefits					161,933	161,933
Assigned						-
Activity funds	336,258					336,258
Unassigned	<u>18,331,197</u>					<u>18,331,197</u>
Total Fund Balances	<u>18,909,356</u>	<u>-</u>	<u>-</u>	<u>3,851,444</u>	<u>6,424,322</u>	<u>29,185,122</u>
Total Liabilities and Fund Balances	<u>\$ 20,076,109</u>	<u>508,269</u>	<u>409,545</u>	<u>3,852,688</u>	<u>7,074,587</u>	<u>31,921,198</u>

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

Vicksburg Warren School District

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 29,185,122

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 1,056,845	
Construction in progress	7,211,218	
Buildings	58,286,644	
Building improvements	2,557,515	
Improvements other than buildings	1,161,298	
Mobile equipment	8,182,694	
Furniture and equipment	1,962,364	
Accumulated depreciation	<u>(35,783,953)</u>	44,634,625

2. Some liabilities, including net position obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(105,114,590)	
-----------------------	---------------	--

Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	18,163,446	
Deferred inflows of resources related to pensions	<u>(5,543,567)</u>	(92,494,711)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(2,600,000)	
Limited obligation refunding bonds	(2,515,000)	
Certificate of participation payable	(450,000)	
Qualified zone academy bonds payable	(8,572,169)	
Qualified school construction bonds payable	(3,000,000)	
Compensated absences payable	(696,074)	
Bond premiums	(38,784)	
Accrued interest payable	<u>(61,223)</u>	(17,933,250)

Net Position of governmental activities \$ (36,608,214)

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

Vicksburg Warren School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit D

	Major Funds					
	General Fund	Title I Part A Fund	Vocational Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 31,973,030				530,807	32,503,837
State sources	34,957,692		1,006,845		2,030,924	37,995,461
Federal sources	393,643	3,529,022	123,698		7,539,740	11,586,103
Sixteenth section sources	752,835			17,073	79,472	849,380
Total Revenues	68,077,200	3,529,022	1,130,543	17,073	10,180,943	82,934,781
Expenditures:						
Instruction	38,245,580	2,695,322	1,299,569		1,545,545	43,786,016
Support services	23,225,665	539,805	557,248		3,893,538	28,216,256
Noninstructional services	118,208	32,494			3,302,470	3,453,172
Sixteenth section	5,665				24,895	30,560
Facilities acquisitions & construction					7,599,828	7,599,828
Debt service:						
Principal					2,055,000	2,055,000
Interest					159,119	159,119
Other					336,029	336,029
Total Expenditures	61,595,118	3,267,621	1,856,817	-	18,916,424	85,635,980
Excess (Deficiency) of Revenues over (under) Expenditures	6,482,082	261,401	(726,274)	17,073	(8,735,481)	(2,701,199)
Other Financing Sources (Uses):						
Bonds issued					8,572,169	8,572,169
Inception of leases					450,000	450,000
Insurance recovery	11,632					11,632
Operating transfers in	123,115		726,274		1,807,057	2,656,446
Operating transfers out	(2,271,930)	(261,401)		(8,086)	(115,029)	(2,656,446)
Total Other Financing Sources (Uses)	(2,137,183)	(261,401)	726,274	(8,086)	10,714,197	9,033,801
Net Change in Fund Balances	4,344,899	-	-	8,987	1,978,716	6,332,602
Fund Balances:						
July 1, 2015, as previously reported	14,564,457	-	-	3,842,457	4,471,510	22,878,424
Prior period adjustments	-				(14,450)	(14,450)
July 1, 2015, as restated	14,564,457	-	-	3,842,457	4,457,060	22,863,974
Decrease in inventory	-	-	-	-	(11,454)	(11,454)
June 30, 2016	\$ 18,909,356	-	-	3,851,444	6,424,322	29,185,122

Vicksburg Warren School District

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 6,332,602**

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

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

Capital outlay	\$ 7,788,085	
Depreciation expense	<u>(1,590,674)</u>	6,197,411

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(54,079)

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

Long-term debt issued	(9,022,169)	
Payments of debt principal	2,055,000	
Accrued interest payable	<u>(30,519)</u>	(6,997,688)

4. The statement of activities reports pension expense and other activity related to net pension liability:

Pension expense	(8,426,487)	
Contributions made subsequent to the measurement date	<u>6,603,811</u>	(1,822,676)

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

Change in compensated absences	(30,097)	
Change in inventory	(11,454)	
Amortization of bond premiums	<u>19,392</u>	<u>(22,159)</u>

Change in Net Position of governmental activities **\$ 3,633,411**

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

Vicksburg Warren School District

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2016

**Agency
Funds**

Assets

Cash and cash equivalents	\$ 3,547,078
Other receivables	711
Total Assets	<u>\$ 3,547,789</u>

Liabilities

Accounts payable and accrued liabilities	\$ 3,459,725
Due to student clubs	88,064
Total Liabilities	<u>\$ 3,547,789</u>

Vicksburg Warren School District

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

VICKSBURG WARREN 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 District's accounting policies are described below.

A. Financial Reporting Entity

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

For financial reporting purposes, Vicksburg Warren 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.

Blended Component Unit

The Vicksburg Warren School District Leasing Authority, Incorporated, ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five-member board which is appointed by the School District's governing board. Although it is legally separate from the School District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the District. (See Note 14)

B. Government-wide and Fund Financial Statement

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

The District reports the following major governmental funds:

General Fund - This is the 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 Part A Fund - This fund accounts for the resources and expenditures of federal revenues for specific purposes.

Vocational Fund – This fund accounts for the resources and expenditures of the Districts vocational activities.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

16th Section Principal Fund – This is a permanent fund used to account for resources from sixteenth section lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

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 also reports fiduciary funds include the following:

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

Student Club Funds – These funds account for the monies earned through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the 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.

VICKSBURG WARREN 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.

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.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

D. Encumbrances

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

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

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

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

Investments for the district are reported at fair market value.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. unspent proceeds from the issuance of qualified zone academy bond, and Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the District except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 to 10 years
Furniture and equipment	5,000	3 to 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 of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The deferred outflow of resources is related to pensions.

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

See Note 12 for further details.

8. Compensated Absences

Employees of the District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by 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.

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 further details.

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.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 receivables, or property held for resale unless the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for the 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 the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 5% 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 and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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 deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

VICKSBURG WARREN SCHOOL DISTRICT
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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 \$25,889,064 and \$3,547,078, respectively. The carrying amount of deposits reported in government-wide statements was \$20,911,376.

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 \$31,802,341 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 \$1,643,271.

Investments

As of June 30, 2016, the District had the following investments with fiscal agents:

Investment	Rating	Maturity	Fair Value
Trustmark Bank - Certificate of deposit	N/A	11/5/15	\$ <u>11,026</u>

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 \$11,026 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.

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

Custodial Credit Risk – Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, none of the underlying securities are held by the investment's counterparty, not in the name of the district.

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 requirement 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. As of June 30, 2016, the District had the following investments:

Issuer	Fair Value	Percent of Total Investments
Trustmark Bank - Certificate of deposit	11,026	100%

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Part A Fund	\$ 506,388
General Fund	Vocational Fund	43,736
General Fund	Other Governmental Funds	518,247
Total		<u>\$ 1,068,371</u>

The purpose of the most significant inter-fund loans was to close out federal programs at year end. All inter-fund receivables and payables are expected to be repaid within one year.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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B. Inter-fund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	16th Section Principal Funds	\$ 8,086
General Fund	Other Governmental Funds	115,029
Vocational Fund	General Fund	726,274
Other Governmental Funds	General Fund	1,545,656
Other Governmental Funds	Title I Part A Fund	261,401
Total		<u>\$ 2,656,446</u>

Inter-fund transfers were to provide funds for daily operations. All inter-fund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$3,852,688 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 \$1,125,000, of the Qualified School Construction Bonds. Cash with fiscal agents in the amount of \$1,639,621 is unspent Qualified Zone Academy Bonds proceeds restricted for retirement of the General Obligation Refunding Bonds. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$3,650, of the MAEP Limited Obligation Bond Fund.

NOTE 5 – Capital Assets

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

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	Balance July 1, 2015	Additions	Retirements	Adjustments	Balance June 30, 2016
Non-depreciable capital assets:					
Land	\$ 1,056,845				1,056,845
Construction in progress		7,211,218			7,211,218
Total non-depreciable capital assets	<u>1,056,845</u>	<u>7,211,218</u>	<u>-</u>	<u>-</u>	<u>8,268,063</u>
Depreciable capital assets:					
Buildings	58,286,644				58,286,644
Building improvements	2,274,024	314,144		(30,653)	2,557,515
Improvement other than buildings	1,086,832	74,466			1,161,298
Mobile equipment	8,503,197	103,490	423,993		8,182,694
Furniture and equipment	1,908,032	84,767	61,088	30,653	1,962,364
Total depreciable capital assets	<u>72,058,729</u>	<u>576,867</u>	<u>485,081</u>	<u>-</u>	<u>72,150,515</u>
Less accumulated depreciation:					
Buildings	25,613,865	1,016,889			26,630,754
Building improvements	614,691	94,627		(4,905)	704,413
Improvement other than buildings	717,587	12,711			730,298
Mobile equipment	6,160,049	360,077	373,494		6,146,632
Furniture and equipment	1,518,089	106,370	57,508	4,905	1,571,856
Total accumulated depreciation	<u>34,624,281</u>	<u>1,590,674</u>	<u>431,002</u>	<u>-</u>	<u>35,783,953</u>
Total depreciable capital assets, net	<u>37,434,448</u>	<u>(1,013,807)</u>	<u>54,079</u>	<u>-</u>	<u>36,366,562</u>
Governmental Activities Capital Assets, Net	\$ <u>38,491,293</u>	<u>6,197,411</u>	<u>54,079</u>	<u>-</u>	<u>44,634,625</u>

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

Governmental Activities	Amount
Instruction	\$ 835,083
Support services	541,257
Non-instructional	214,334
Total depreciation expense	<u>\$ 1,590,674</u>

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities:		
Johnson Controls	\$ <u>7,211,218</u>	<u>1,810,951</u>

Construction projects included in governmental activities are funded from Qualified Zone Academy Bond, Series 2015 A and Certificate of Participation Payable, Series 2015 B.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 – Long-term Liabilities

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
A. General obligation refunding bond payable	\$ 3,410,000		810,000	2,600,000	840,000
B. Limited obligation refunding bond payable	3,760,000		1,245,000	2,515,000	1,245,000
Premium	58,176		19,392	38,784	19,392
C. Certificates of participation payable		450,000		450,000	224,000
D. Qualified zone academy bonds payable		8,572,169		8,572,169	
E. Qualified school construction bonds payable	3,000,000			3,000,000	
F. Compensated absences payable	665,977	30,097		696,074	
Total	<u>\$ 10,894,153</u>	<u>9,052,266</u>	<u>2,074,392</u>	<u>17,872,027</u>	<u>2,328,392</u>

A. General Obligation Bonds Payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district.

General obligation bonds payable currently outstanding are as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
General Obligation Refunding Bonds	2.0 -3.5%	6/29/2010	4/1/2019	\$ <u>7,205,000</u>	<u>2,600,000</u>

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 840,000	87,818	927,818
2018	865,000	60,519	925,519
2019	895,000	31,325	926,325
Total	<u>\$ 2,600,000</u>	<u>179,662</u>	<u>2,779,662</u>

This debt will be retired from the General Obligation Bond Refunding Series 2010 Fund (#4031).

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 0.43% of property assessments as of October 1, 2015.

VICKSBURG WARREN SCHOOL DISTRICT
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B. Limited Obligation Refunding Bonds Payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district.

Debt current outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bond Series 2015	2.00%	6/16/2015	2/1/2018	\$ 3,760,000	2,515,000

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

Year Ending June 30:	Principal	Interest	Total
2017	\$ 1,245,000	50,300	1,295,300
2018	1,270,000	25,400	1,295,400
Total	\$ 2,515,000	75,700	2,590,700

This debt will be retired from the MAEP Retirement Fund.

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. Certificates of Participation Payable

As more fully explained in Note 14, certificates of participation have been issued by the School District. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation Payable, Series 2015 B	1.15%	9/25/2015	9/25/2017	\$ 450,000	450,000

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

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<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 224,000	5,175	229,175
2018	226,000	2,599	228,599
Total	<u>\$ 450,000</u>	<u>7,774</u>	<u>457,774</u>

This debt will be retired from the Debt Service \$8.5 QZAB 2015A Trust Fund (#4093).

D. Qualified Zone Academy Bonds Payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified Zone Academy Bond, Series 2015 A	0.00%	9/25/2015	9/25/2031	\$ <u>8,572,169</u>	<u>8,572,169</u>

E. Qualified School Construction Bonds Payable

As more fully explained in Note 16, debt has been issued by the District that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Note, Series 2009 QSCB	0.00%	10/2/2009	10/6/2025	\$ <u>3,000,000</u>	<u>3,000,000</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 – Prior Year Defeasance of Debt

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$2,495,000 of bonds outstanding are defeased.

NOTE 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Operating leases – The District has several operating leases for 41 Canon copiers. Lease expenditures for the year ended June 30, 2016 amounted to \$189,130. Future lease payments for these leases are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>
2017	\$ 217,938
2018	18,162
Total	<u>\$ 236,100</u>

NOTE 9 – 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 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

VICKSBURG WARREN SCHOOL DISTRICT
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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 \$6,603,811, \$6,660,069, and \$6,540,353, 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 \$105,114,590 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 0.68 percent, which was based on a measurement date of June 30, 2015. This is the same as 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 \$8,426,487. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,451,528	
Net difference between projected and actual earnings on pension plan investments		2,823,207
Changes of assumptions	9,108,107	
Changes in proportion and differences between actual contributions and proportionate share of contributions		2,720,360
Contributions subsequent to the measurement date	6,603,811	
Total	<u>\$ 18,163,446</u>	<u>5,543,567</u>

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\$6,603,811 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 1,360,097
2018	1,583,883
2019	1,534,507
2020	<u>1,537,581</u>
Total	<u>\$ 6,016,068</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 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:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Ec	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
	<u>100.00 %</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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension liability	\$ <u>138,550,660</u>	<u>105,114,590</u>	<u>77,368,904</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 10 – 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 of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

<u>Year Ending June 30:</u>	<u>Amount</u>
2017	\$ 246,099
2018	128,583
2019	108,790
2020	63,349
2021	21,103
Thereafter	160,511
Total	<u>\$ 728,435</u>

NOTE 11 – 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 12 – Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$75,921,050) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$18,163,446 balance of deferred outflows of resources, at June 30, 2016 will be recognized as an expenditure and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$75,921,050) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,543,567 balance of deferred inflows 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 13 – Risk Management

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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards 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. This district has not had an additional assessment for excess losses incurred by the pool.

NOTE 14 – Trust Certificates

A trust agreement dated September 25, 2015, was executed by and between the District and the Vicksburg Warren School District Leasing Authority, Incorporated, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$450,000. As of September 30, 2016, \$127,312 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment.

The project is leased to the District in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the School District upon complete retirement of the trust certificates. The School District is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the School District are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the School District defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the School District. See Note 6 for details regarding the debt service requirement on the trust certificates.

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures, and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

NOTE 15 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The School District, in agreement with the Vicksburg Warren School District Leasing Authority, Incorporated, has entered into such an arrangement dated September 25, 2015.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before September 25 beginning September 25, 2016. The amount accumulated in the sinking fund at the end of the fifteen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the School District.

<u>Year ending June 30:</u>	<u>Amount</u>
2017	\$ 335,941
2018	336,000
2019	564,302
2020	564,302
2021	564,302
2022-2026	2,821,510
2027-2032	3,385,812
Total	<u>\$ 8,572,169</u>

NOTE 16 – 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 credit 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

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 District may apply for 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 pay off the bonds at termination. The current maturity limit of tax credit bonds 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 three 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 \$1,125,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the School District.

<u>Year Ending June 30:</u>	<u>Principal</u>
2017	\$ 187,500
2018	187,500
2019	187,500
2020	187,500
2021	187,500
2022-2026	937,500
Total	<u>\$ 1,875,000</u>

NOTE 17 – Insurance Loss Recoveries

The Vicksburg Warren School District received \$11,632 in insurance loss recoveries related to damage to mobile equipment in the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

NOTE 18 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
See explanation below.	<u>\$ (14,450)</u>

VICKSBURG WARREN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
Other Governmental Funds	To adjust cash with fiscal agents and payables. \$	<u>(14,450)</u>

NOTE 19 – 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 Vicksburg Warren School District evaluated the activity of the District through the date the financial statements were available to be issued, and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

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
Revenues:					
Local sources	\$ 30,806,170	31,488,159	31,973,030	681,989	484,871
State sources	34,977,984	34,977,984	34,957,692	-	(20,292)
Federal sources	359,000	359,000	393,643	-	34,643
Sixteenth section sources	-	726,848	752,835	726,848	25,987
Total Revenues	66,143,154	67,551,991	68,077,200	1,408,837	525,209
Expenditures:					
Instruction	43,500,113	37,893,298	38,245,580	5,606,815	(352,282)
Support services	21,045,818	27,513,396	23,225,665	(6,467,578)	4,287,731
Noninstructional services	47,324	50,237	118,208	(2,913)	(67,971)
Sixteenth section	-	15,482	5,665	(15,482)	9,817
Total Expenditures	64,593,255	65,472,413	61,595,118	(879,158)	3,877,295
Excess (Deficiency) of Revenues over Expenditures	1,549,899	2,079,578	6,482,082	529,679	4,402,504
Other Financing Sources (Uses):					
Insurance recovery			11,632	-	11,632
Operating transfers in			123,115	-	123,115
Other financing sources	2,496,979	2,107,905		(389,074)	(2,107,905)
Operating transfers out			(2,271,930)	-	(2,271,930)
Other financing uses	(4,091,476)	(4,074,059)		17,417	4,074,059
Total Other Financing Sources (Uses)	(1,594,497)	(1,966,154)	(2,137,183)	(371,657)	(171,029)
Net Change in Fund Balances	(44,598)	113,424	4,344,899	158,022	4,231,475
Fund Balances:					
July 1, 2015	4,195,593	10,529,806	14,564,457	6,334,213	4,034,651
June 30, 2016	\$ 4,150,995	10,643,230	18,909,356	6,492,235	8,266,126

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

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Part A Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,394,582	4,639,035	3,529,022	244,453	(1,110,013)
Total Revenues	<u>4,394,582</u>	<u>4,639,035</u>	<u>3,529,022</u>	<u>244,453</u>	<u>(1,110,013)</u>
Expenditures:					
Instruction	3,243,846	3,377,972	2,695,322	(134,126)	682,650
Support services	729,711	850,832	539,805	(121,121)	311,027
Noninstructional services	43,944	50,596	32,494	(6,652)	18,102
Total Expenditures	<u>4,017,501</u>	<u>4,279,400</u>	<u>3,267,621</u>	<u>(261,899)</u>	<u>1,011,779</u>
Excess (Deficiency) of Revenues over Expenditures	<u>377,081</u>	<u>359,635</u>	<u>261,401</u>	<u>(17,446)</u>	<u>(98,234)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(377,081)</u>	<u>(359,635)</u>	<u>(261,401)</u>	<u>17,446</u>	<u>98,234</u>
Total Other Financing Sources (Uses)	<u>(377,081)</u>	<u>(359,635)</u>	<u>(261,401)</u>	<u>17,446</u>	<u>98,234</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Vocational Fund
For the Year Ended June 30, 2016**

			Actual (GAAP Basis)	Variances Positive (Negative)		
	Budgeted Amounts			Original to Final	Final to Actual	
	Original	Final				
Revenues:						
State sources	\$	842,352	842,352	1,006,845	-	164,493
Federal sources		130,554	161,727	123,698	31,173	(38,029)
Total Revenues		972,906	1,004,079	1,130,543	31,173	126,464
Expenditures:						
Instruction		1,618,695	1,409,003	1,299,569	209,692	109,434
Support services		107,661	145,161	557,248	(37,500)	(412,087)
Total Expenditures		1,726,356	1,554,164	1,856,817	172,192	(302,653)
Excess (Deficiency) of Revenues over Expenditures		(753,450)	(550,085)	(726,274)	203,365	(176,189)
Other Financing Sources (Uses):						
Operating transfers in		753,450	723,314	726,274	(30,136)	2,960
Total Other Financing Sources (Use		753,450	723,314	726,274	(30,136)	2,960
Net Change in Fund Balances		-	173,229	-	173,229	(173,229)
Fund Balances:						
July 1, 2015		-	-	-	-	-
June 30, 2016	\$	-	173,229	-	173,229	(173,229)

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	\$ 105,114,590	82,539,548
District's proportionate share of the net pension liability	0.68%	0.68%
District's covered-employee payroll	\$ 42,286,152	41,526,051
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	248.58%	198.77%
Plan fiduciary net position as a percentage of the total	61.70%	67.21%

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

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

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

VICKSBURG WARREN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,603,811	6,660,069
Contributions in relation to the contractually required contributions	6,603,811	6,660,069
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 41,928,959	42,286,152
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

VICKSBURG WARREN 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 disable 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 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

VICKSBURG WARREN SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 1,106,276
National School Lunch Program	10.555	3,547,513
Summer Food Service Program for Children	10.559	19,156
Total Child Nutrition Cluster		<u>4,672,945</u>
Total passed-through the Mississippi Department of Education		<u>4,672,945</u>
Total U.S. Department of Agriculture		<u><u>4,672,945</u></u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officer's Training Corps	12.xxx	<u>151,622</u>
Total U.S. Department of Defense		<u><u>151,622</u></u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	3,546,321
Career and Technical Education - Basic Grants to States	84.048	123,698
Education for Homeless Children and Youth	84.196	35,995
Rural Education	84.358	197,581
Supporting Effective Instruction State Grant	84.367	487,042
Subtotal		<u>4,390,637</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,969,653
Special Education - Preschool Grants	84.173	75,090
Total Special Education Cluster		<u>2,044,743</u>
Total passed-through the Mississippi Department of Education		<u>6,435,380</u>
Total U.S. Department of Education		<u><u>6,435,380</u></u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medicaid Assistance Program	93.778	<u>48,245</u>
Total passed-through Mississippi Department of Education:		<u>48,245</u>
Total U.S. Department of Health and Human Services		<u><u>48,245</u></u>
Total for All Federal Awards		\$ <u><u>11,308,192</u></u>

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

VICKSBURG WARREN SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	56,636,561	45,485,869	2,003,991	3,445,346	5,701,355
Other	28,999,419	7,331,433	833,573	104,287	20,730,126
Total	\$ 85,635,980	52,817,302	2,837,564	3,549,633	26,431,481
Total number of students *	8,238				
Cost per student	\$ 10,395	6,411	344	431	3,209

For purposes 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

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

Vicksburg Warren School District

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

(1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the 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). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$359,481 are included in the National School Lunch Program.

(2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

- a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 31,973,030	29,146,332	27,181,857	26,744,654
State sources	34,957,692	33,201,593	33,526,902	33,012,544
Federal sources	393,643	457,260	355,071	374,933
Sixteenth section sources	752,835	486,323	-	-
Total Revenues	<u>68,077,200</u>	<u>63,291,508</u>	<u>61,063,830</u>	<u>60,132,131</u>
Expenditures:				
Instruction	38,245,580	37,499,888	36,432,882	39,211,922
Support services	23,225,665	23,380,021	23,110,937	24,959,056
Noninstructional services	118,208	86,518	103,534	135,409
Sixteenth section	5,665	16,174	-	-
Total Expenditures	<u>61,595,118</u>	<u>60,982,601</u>	<u>59,647,353</u>	<u>64,306,387</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>6,482,082</u>	<u>2,308,907</u>	<u>1,416,477</u>	<u>(4,174,256)</u>
Other Financing Sources (Uses):				
Insurance recovery	11,632	3,763	60,539	-
Sale of transportation equipment	-	-	-	1,036
Sale of other property	-	-	-	1,451
Operating transfers in	123,115	145,874	3,904,329	1,228,183
Operating transfers out	(2,271,930)	(1,803,265)	(1,778,734)	(2,271,443)
Other financing sources	-	-	22,928	119,861
Total Other Financing Sources (Uses)	<u>(2,137,183)</u>	<u>(1,653,628)</u>	<u>2,209,062</u>	<u>(920,912)</u>
Net Change in Fund Balances	<u>4,344,899</u>	<u>655,279</u>	<u>3,625,539</u>	<u>(5,095,168)</u>
Fund Balances:				
Beginning of period, as previously reported	14,564,457	7,613,657	3,988,118	9,083,286
Fund reclassification	-	6,295,521	-	-
Beginning of period, as restated	<u>14,564,457</u>	<u>13,909,178</u>	<u>3,988,118</u>	<u>9,083,286</u>
End of Period	<u>\$ 18,909,356</u>	<u>14,564,457</u>	<u>7,613,657</u>	<u>3,988,118</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

VICKSBURG WARREN SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2016	2015*	2014 *	2013 *
Revenues:				
Local sources	\$ 32,503,837	29,451,727	27,824,834	27,474,986
State sources	37,995,461	36,107,331	36,368,105	35,706,255
Federal sources	11,586,103	10,691,634	11,507,824	11,956,907
Sixteenth section sources	849,380	535,862	1,115,379	917,502
Total Revenues	<u>82,934,781</u>	<u>76,786,554</u>	<u>76,816,142</u>	<u>76,055,650</u>
Expenditures:				
Instruction	43,786,016	41,983,157	41,139,882	44,139,925
Support services	28,216,256	28,375,307	28,428,330	30,485,242
Noninstructional services	3,453,172	3,521,834	3,550,412	3,606,892
Sixteenth section	30,560	26,962	167,598	120,265
Facilities acquisitions & construction	7,599,828	800,549	152,609	783,877
Debt service:				
Principal	2,055,000	5,600,000	1,860,000	1,810,000
Interest	159,119	372,988	379,554	433,244
Other	336,029	84,338	-	-
Total Expenditures	<u>85,635,980</u>	<u>80,765,135</u>	<u>75,678,385</u>	<u>81,379,445</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,701,199)</u>	<u>(3,978,581)</u>	<u>1,137,757</u>	<u>(5,323,795)</u>
Other Financing Sources (Uses):				
Bond issued	8,572,169	-	-	-
Inception of leases	450,000	3,760,000	-	-
Premium on refunding bond issued	-	58,176	-	-
Insurance recovery	11,632	3,763	60,539	-
Sale of transportation equipment	-	-	-	1,036
Sale of other property	-	-	-	1,451
Operating transfers in	2,656,446	2,280,939	5,967,449	3,757,288
Operating transfers out	(2,656,446)	(2,280,939)	(5,967,449)	(3,757,288)
Other financing sources	-	-	22,928	119,861
Total Other Financing Sources (Uses)	<u>9,033,801</u>	<u>3,821,939</u>	<u>83,467</u>	<u>122,348</u>
Net Change in Fund Balances	<u>6,332,602</u>	<u>(156,642)</u>	<u>1,221,224</u>	<u>(5,201,447)</u>
Fund Balances:				
Beginning of period, as previously reported	22,878,424	23,013,108	21,792,069	27,080,896
Prior period adjustments	(14,450)	-	-	(49,104)
Beginning of period, as restated	<u>22,863,974</u>	<u>23,013,108</u>	<u>21,792,069</u>	<u>27,031,792</u>
Increase (Decrease) in reserve for inventory	<u>(11,454)</u>	<u>21,958</u>	<u>(185)</u>	<u>(38,276)</u>
End of Period	<u>\$ 29,185,122</u>	<u>22,878,424</u>	<u>23,013,108</u>	<u>21,792,069</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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
Vicksburg Warren 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 Vicksburg Warren School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Vicksburg Warren School District's basic financial statements, and have issued our report thereon dated April 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Vicksburg Warren 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*.

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
April 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 THE UNIFORM GUIDANCE

Superintendent and School Board
Vicksburg Warren School District

Report on Compliance for Each Major Federal Program

We have audited Vicksburg Warren 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 Vicksburg Warren School District's major federal program for the year ended June 30, 2016. The Vicksburg Warren School District's major federal program is 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 Vicksburg Warren School District's major federal program 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.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Vicksburg Warren School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vicksburg Warren School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 the 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
April 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
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2016, which collectively comprise Vicksburg Warren School District's basic financial statements and have issued our report thereon dated April 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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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
April 6, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Vicksburg Warren 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? None reported.
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
---------------	------------------------------------

10.553, 10.555 & 10.559	Child Nutrition Cluster
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8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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