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WEST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

WEST TALLAHATCHIE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
West Tallahatchie 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 West Tallahatchie School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the West Tallahatchie 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 our 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 entity'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 opinion.

Opinion

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 West Tallahatchie 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 4-12 and 39-44 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 West Tallahatchie 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 August 17 2017, on our consideration of the West Tallahatchie 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 West Tallahatchie School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Brandon, Mississippi
August 17, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$694,087, which represents a 25% decrease from fiscal year 2015. Total net position for 2015 decreased \$9,005,563, including a prior period adjustment of (\$9,792,181), which represents a 146% decrease from fiscal year 2014.
- General revenues amounted to \$7,603,325 and \$6,917,804, or 79% and 75% 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 \$1,976,527, or 21% of total revenues for 2016, and \$2,268,819, or 25% of total revenues for 2015.
- The District had \$10,152,207 and \$8,400,005 in expenses for fiscal years 2016 and 2015; only \$1,976,527 for 2016 and \$2,268,819 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,603,325 for 2016 were not adequate to provide for these programs and \$6,917,804 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,475,627 in revenues and \$6,525,917 in expenditures for 2016, and \$6,871,791 in revenues and \$6,422,122 in expenditures in 2015. The General Fund's fund balance increased by \$788,787 from 2015 to 2016, and increased by \$1,457,292, including a fund reclassification of \$999,572 and a prior period adjustment of (\$1,998), from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$297,488 for 2016 and decreased by \$116,094 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$275,023 for 2016 and increased by \$1,233,500 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,523 for 2016 and decreased by \$561 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's 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.

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$3,521,108) 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.

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

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

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 5,247,355	\$ 5,253,019	(0.11) %
Restricted assets	128,787	29,540	335.97 %
Capital assets, net	3,935,287	4,232,775	(7.03) %
Total assets	9,311,429	9,515,334	(2.14) %
 Deferred outflows of resources	 1,943,689	 847,622	 129.31 %
Current liabilities	685,604	109,358	526.94 %
Long-term debt outstanding	2,344,434	2,619,457	(10.50) %
Net pension liability	11,126,534	8,934,906	24.53 %
Total liabilities	14,156,572	11,663,721	21.37 %
 Deferred inflows of resources	 619,654	 1,526,256	 (59.40) %
 Net position:			
Net investment in capital assets	1,635,287	2,972,808	(44.99) %
Restricted	2,450,191	767,523	219.23 %
Unrestricted	(7,606,586)	(6,567,352)	(15.82) %
Total net position	\$ (3,521,108)	\$ (2,827,021)	24.55 %

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)	\$ (7,606,586)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	9,802,499
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,195,913</u>

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

- Decrease in net capital assets in the amount of \$297,488.
- The principal retirement of \$272,500 of long-term debt.
- Recognition of the net pension liability in the amount of \$11,126,534.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$9,579,852 and \$9,186,623, respectively. The total cost of all programs and services was \$10,152,207 for 2016 and \$8,400,005 for 2015.

WEST TALLAHATCHIE 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>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 94,357	\$ 413,416	(77.18) %
Operating grants and contributions	1,882,170	1,831,134	2.79 %
Operating grants and contributions	-	24,269	(100.00) %
General revenues:			
Property taxes	2,407,270	2,422,957	(0.65) %
Grants and contributions not restricted	4,500,401	4,077,462	10.37 %
Investment earnings	2,977	1,397	113.10 %
Sixteenth section sources	320,364	320,464	(0.03) %
Other	372,313	95,524	289.76 %
Total revenues	<u>9,579,852</u>	<u>9,186,623</u>	<u>4.28 %</u>
Expenses:			
Instruction	3,772,830	3,760,077	0.34 %
Support services	4,612,625	3,419,712	34.88 %
Non-instructional	695,223	653,408	6.40 %
Pension expense	913,673	522,005	75.03 %
Interest on long-term liabilities	157,856	44,803	252.33 %
Total expenses	<u>10,152,207</u>	<u>8,400,005</u>	<u>20.86 %</u>
Increase (Decrease) in net position	<u>(572,355)</u>	<u>786,618</u>	<u>(172.76) %</u>
Net Position, July 1, as previously reported	<u>(2,827,021)</u>	<u>6,178,542</u>	<u>(145.76) %</u>
Prior Period Adjustment	<u>(121,732)</u>	<u>(9,792,181)</u>	<u>98.76 %</u>
Net Position, July 1, as restated	<u>(2,948,753)</u>	<u>(3,613,639)</u>	<u>18.40 %</u>
Net Position, June 30	<u>\$ (3,521,108)</u>	<u>\$ (2,827,021)</u>	<u>(24.55) %</u>

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, 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.

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	
	2016	2015		
Instruction	\$ 3,772,830	\$ 3,760,077	0.34	%
Support services	4,612,625	3,419,712	34.88	%
Non-instructional	695,223	653,408	6.40	%
Pension Expense	913,673	522,005	75.03	%
Interest on long-term liabilities	157,856	44,803	252.33	%
Total expenses	\$ 10,152,207	\$ 8,400,005	20.86	%

	Net (Expense) Revenue		Percentage Change	
	2016	2015		
Instruction	\$ (3,177,289)	\$ (2,886,999)	(10.06)	%
Support services	(3,982,690)	(2,855,086)	(39.49)	%
Non-instructional	55,828	177,707	(68.58)	%
Pension Expense	(913,673)	(522,005)	(75.03)	%
Interest on long-term liabilities	(157,856)	(44,803)	(252.33)	%
Total net (expense) revenue	\$ (8,175,680)	\$ (6,131,186)	(33.35)	%

- Net cost of governmental activities (\$8,175,680 for 2016 and \$6,131,186 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$2,407,270 for 2016 and \$2,422,957 for 2015) and state and federal revenues (\$4,500,401 for 2016 and \$4,077,462 for 2015). In addition, there was \$320,364 and \$320,464 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$2,977 for 2016 and \$1,397 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 \$4,762,943, a decrease of \$424,874, which includes a prior period adjustment of (356) and an increase in inventory of \$1,341. \$3,708,438, or 96% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$173,494, or 4% is assigned to indicate that it is not available for spending except only for the purposes to which it is 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 \$788,787. The fund balance of Other Governmental Funds showed an increase in the amount of \$98,872, which includes a prior period adjustment of (356) and an increase in inventory of \$1,341. The increase (decrease) in the fund balances for the other major funds were as follows:

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

	<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund		no increase or decrease
QSCB 2015 Fund	\$	(1,312,533.00)

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$7,496,111, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$65,500 from 2015 due primarily to the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$3,560,824, and total depreciation expense for the year was \$176,112, resulting in total net capital assets of \$3,935,287.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 15,491	\$ 15,491	0.00 %
Buildings	2,841,071	2,915,727	(2.56) %
Building improvements	529,739	554,532	(4.47) %
Improvements other than buildings	162,261	173,079	(6.25) %
Mobile equipment	369,105	541,770	(31.87) %
Furniture and equipment	17,620	32,176	(45.24) %
Total	<u>\$ 3,935,287</u>	<u>\$ 4,232,775</u>	(7.03) %

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 \$2,344,434 in outstanding long-term debt, of which \$285,722 is due within one year. During the fiscal year, the District made principal payments totaling \$272,500 on outstanding long-term debt. The liability for compensated absences decreased \$2,523 from the prior year.

WEST TALLAHATCHIE SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	365,000	562,500	(35.11) %
Three mill notes payable	435,000	510,000	(14.71) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	44,434	46,957	(5.37) %
Total	<u>\$ 2,344,434</u>	<u>\$ 2,619,457</u>	(10.50) %

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

CURRENT ISSUES

The West Tallahatchie School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the West Tallahatchie School District, P O Box 129, Webb, MS 38966.

FINANCIAL STATEMENTS

WEST TALLAHATCHIE SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
<hr/>	
Assets	
Cash and cash equivalents	\$ 4,697,848
Due from other governments	532,464
Accrued interest receivable	1,005
Other receivables, net	66
Inventories	15,972
Restricted assets	128,787
Capital assets, non-depreciable:	
Land	15,491
Capital assets, net of accumulated depreciation:	
Buildings	2,841,071
Building improvements	529,739
Improvements other than buildings	162,261
Mobile equipment	369,105
Furniture and equipment	17,620
Total Assets	<hr/> 9,311,429 <hr/>
Deferred Outflows of Resources	
Deferred outflow related to pensions	<hr/> 1,943,689
Total Deferred Outflows of Resources	<hr/> 1,943,689 <hr/>
Liabilities	
Accounts payable and accrued liabilities	595,228
Unearned revenue	17,971
Interest payable on long-term liabilities	72,405
Long-term liabilities, due within one year:	
Capital related liabilities	283,500
Non-capital related liabilities	2,222
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,016,500
Non-capital related liabilities	42,212
Net pension liability	<hr/> 11,126,534
Total Liabilities	<hr/> 14,156,572 <hr/>
Deferred Inflows of Resources	
Deferred inflow related to pensions	<hr/> 619,654
Total Deferred Inflows of Resources	<hr/> 619,654 <hr/>
Net Position	
Net investment in capital assets	1,635,287
Restricted for:	
Expendable:	
School-based activities	2,164,255
Debt service	218,256
Capital improvements	1,742
Forestry improvements	25,874
Unemployment benefits	12,995
Non-expendable:	
Sixteenth section	27,069
Unrestricted	<hr/> (7,606,586)
Total Net Position (deficit)	<hr/> \$ (3,521,108) <hr/>

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

WEST TALLAHATCHIE SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2016**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 3,772,830	\$ 58,843	\$ 536,698	\$ -		\$ (3,177,289)
Support services	4,612,625	-	629,935	-		(3,982,690)
Non-instructional	695,223	35,514	715,537	-		55,828
Pension expense	913,673	-	-	-		(913,673)
Interest on long-term liabilities	157,856	-	-	-		(157,856)
Total Governmental Activities	<u>\$ 10,152,207</u>	<u>\$ 94,357</u>	<u>\$ 1,882,170</u>	<u>\$ -</u>		<u>\$ (8,175,680)</u>

General Revenues:

Taxes:

General purpose levies	2,401,780
Debt purpose levies	5,490

Unrestricted grants and contributions:

State	4,457,726
Federal	42,675
Unrestricted investment earnings	2,977
Sixteenth section sources	320,364
Other	372,313

Total General Revenues	<u>7,603,325</u>
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Change in Net Position	<u>(572,355)</u>
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Net Position - Beginning	(2,827,021)
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Prior period adjustments	<u>(121,732)</u>
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Net Position - Beginning, as restated	<u>(2,948,753)</u>
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Net Position - Ending	<u><u>\$ (3,521,108)</u></u>
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The notes to the financial statements are an integral part of this statement.

WEST TALLAHATCHIE SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2016

Exhibit C

	Major Funds			Other	Total
	General	Title I	QSCB 2015	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 4,019,923	\$ -	\$ -	\$ 678,467	\$ 4,698,390
Cash with fiscal agents	-	-	-	552	552
Investments	-	-	-	127,693	127,693
Due from other governments	212,592	116,134	-	203,738	532,464
Accrued interest receivable	-	-	-	1,005	1,005
Other receivables, net	66	-	-	-	66
Due from other funds	130,351	-	-	16,737	147,088
Inventories	-	-	-	15,972	15,972
Total assets	\$ 4,362,932	\$ 116,134	\$ -	\$ 1,044,164	\$ 5,523,230
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 481,000	\$ 33,507	\$ -	\$ 80,721	\$ 595,228
Due to other funds	-	82,627	-	64,461	147,088
Unavailable revenue - federal programs	-	-	-	17,971	17,971
Total Liabilities	481,000	116,134	-	163,153	760,287
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	15,972	15,972
Permanent fund principal	-	-	-	27,069	27,069
Restricted:					
Debt service	-	-	-	290,661	290,661
Forestry improvement purposes	-	-	-	25,873	25,873
Capital projects	-	-	-	1,742	1,742
Grant activities	-	-	-	133,720	133,720
Food service	-	-	-	372,979	372,979
Unemployment benefits	-	-	-	12,995	12,995
Assigned:					
Activity funds	22,199	-	-	-	22,199
Alternative school	71,866	-	-	-	71,866
Renovation fund	79,429	-	-	-	79,429
Unassigned	3,708,438	-	-	-	3,708,438
Total Fund Balances	3,881,932	-	-	881,011	4,762,943
Total Liabilities and Fund Balances	\$ 4,362,932	\$ 116,134	\$ -	\$ 1,044,164	\$ 5,523,230

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

WEST TALLAHATCHIE 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 **\$ 4,762,943**

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	\$ 15,491	
Buildings	5,079,454	
Building improvements	666,152	
Improvements other than buildings	270,435	
Mobile equipment	1,138,103	
Furniture and equipment	326,476	
Accumulated depreciation	<u>(3,560,824)</u>	3,935,287

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

Net pension liability	(11,126,534)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,943,689	
Deferred inflows of resources related to pensions	<u>(619,654)</u>	(9,802,499)

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:

Limited obligation refunding bonds	(365,000)	
Three mill notes payable	(435,000)	
Qualified school construction bonds payable	(1,500,000)	
Compensated absences	(44,434)	
Accrued interest payable	<u>(72,405)</u>	(2,416,839)

Net Position of governmental activities		\$ <u>(3,521,108)</u>
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The notes to the financial statements are an integral part of this statement.

WEST TALLAHATCHIE SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2016

	Major Funds			Other	Total
	General	Title I	QSCB 2015	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 3,222,965	\$ -	\$ -	\$ 45,008	\$ 3,267,973
Intermediate sources		-	-	58,541	58,541
State sources	3,888,959	-	-	360,493	4,249,452
Federal sources	42,675	533,122	-	1,107,061	1,682,858
Sixteenth section sources	321,028	-	-	-	321,028
Total Revenues	7,475,627	533,122	-	1,571,103	9,579,852
Expenditures:					
Instruction	3,560,293	168,232	-	418,281	4,146,806
Support services	2,868,628	300,170	1,234,239	359,104	4,762,141
Noninstructional services	36,068	64,720	-	618,428	719,216
Debt service:					
Principal	-	-	-	272,500	272,500
Interest	60,428	-	-	37,789	98,217
Other	500	-	-	1,350	1,850
Total Expenditures	6,525,917	533,122	1,234,239	1,707,452	10,000,730
Excess (Deficiency) of Revenues over (under) Expenditures	949,710	-	(1,234,239)	(136,349)	(420,878)
Other Financing Sources (Uses):					
Payments held by escrow agent	-	-	-	100,000	100,000
Payment to QSCB debt escrow agent	(100,000)	-	-	-	(100,000)
Operating transfers in	251,422	-	173,128	143,910	568,460
Operating transfers out	(312,345)	-	(251,422)	(4,693)	(568,460)
Other financing uses				(4,981)	(4,981)
Total Other Financing Sources (Uses)	(160,923)	-	(78,294)	234,236	(4,981)
Net Change in Fund Balances	788,787	-	(1,312,533)	97,887	(425,859)
Fund Balances:					
July 1, 2015, as previously reported	3,093,145	-	1,312,533	782,139	5,187,817
Prior period adjustments	-	-	-	(356)	(356)
July 1, 2015, as restated	3,093,145	-	1,312,533	781,783	5,187,461
Increase (Decrease) in inventory	-	-	-	1,341	1,341
June 30, 2016	\$ 3,881,932	\$ -	\$ -	\$ 881,011	\$ 4,762,943

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

WEST TALLAHATCHIE 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 **\$ (425,859)**

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:

Depreciation expense	(176,112)	(176,112)
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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:

Payments of debt principal	272,500	
Accrued interest payable	(57,789)	214,711

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(913,673)	
Recording of contributions made subsequent to the measurement date	724,714	(188,959)

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/expenditures in governmental funds. These activities include:

Change in compensated absences	2,523	
Change in inventory	1,341	3,864

Change in Net Position of governmental activities		\$ (572,355)
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The notes to the financial statements are an integral part of this statement.

WEST TALLAHATCHIE SCHOOL DISTRICT
Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,462	\$ 21,535
Total Assets	<u>\$ 1,462</u>	<u>\$ 21,535</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 3,462
Due to student clubs		18,073
Total Liabilities		<u>\$ 21,535</u>
Net Position		
Reserved for endowments	\$ 1,462	
Total net position	<u>\$ 1,462</u>	

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

Exhibit F

	Private-Purpose Trust Funds
	<u> </u>
Net Position	
July 1, 2015	\$ 1,462
June 30, 2016	<u>\$ 1,462</u>

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Columbia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

QSCB 2015 Fund – This fund is used to account for the qualified school construction bond received for construction, upgrade and repair of school facilities.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

operations.

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

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

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

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

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy 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 columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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,

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 13 for further details.

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 school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

10. Pensions

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

11. Fund Balances

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy. There are no assigned fund balances during the current fiscal year.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general 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 and Cash with Fiscal Agents

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 \$4,698,390 and \$22,997, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$4,697,848 and a portion of restricted assets in the amount of \$128,787 (see Note 4).

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 \$5,048,490 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 \$552.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 82,627
General Fund	Other Governmental Funds	47,724
Other Governmental Funds	Other Governmental Funds	16,737
Total		<u>\$ 147,088</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	QCSB 2015 Fund	\$ 173,128
General Fund	Other governmental funds	139,217
QCSB 2015 Fund	General Fund	251,422
Other governmental funds	Other governmental funds	4,693
Total		<u>\$ 568,460</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, unemployment compensation transfers, and other routine operating transfers.

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$27,069 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 with fiscal agent balance totaling \$1,266 of the MAEP Note Retirement Fund. The restricted assets also represent the cash with fiscal agent and investment balance totaling \$100,452 of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Adjustments	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 15,491	\$ -	\$ -	\$ 15,491
Total non-depreciable capital assets	15,491	-	-	15,491
<u>Depreciable capital assets:</u>				
Buildings	5,079,454	-	-	5,079,454
Building improvements	666,152	-	-	666,152
Improvements other than buildings	270,435	-	-	270,435
Mobile equipment	1,081,603	-	56,500	1,138,103
Furniture and equipment	317,476	-	9,000	326,476
Total depreciable capital assets	7,415,120	-	65,500	7,480,620
<u>Less accumulated depreciation for:</u>				
Buildings	2,163,727	74,654	2	2,238,383
Building improvements	111,620	24,782	11	136,413
Improvements other than buildings	97,356	10,818	-	108,174
Mobile equipment	539,833	51,556	177,609	768,998
Furniture and equipment	285,300	14,302	9,254	308,856
Total accumulated depreciation	3,197,836	176,112	186,876	3,560,824
Total depreciable capital assets, net	4,217,284	(176,112)	(121,376)	3,919,796
Governmental activities capital assets, net	\$ 4,232,775	\$ (176,112)	\$ (121,376)	3,935,287

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 87,420
Support services	83,323
Non-instructional	5,369
Total depreciation expense - Governmental activities	\$ 176,112

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Limited obligation refunding bonds payable	562,500	-	197,500	365,000	203,500
B. Three mill notes payable	510,000	-	75,000	435,000	80,000
C. Qualified school construction bonds payable	1,500,000	-	-	1,500,000	-
D. Compensated absences payable	46,957	-	2,523	44,434	2,222
Total	\$ 2,619,457	\$ -	\$ 275,023	\$ 2,344,434	\$ 285,722

A. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2008	3.19%	3/1/2008	2/1/2018	\$ 1,705,000	\$ 365,000
Total				<u>\$ 1,705,000</u>	<u>\$ 365,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 203,500	\$ 11,644	\$ 215,144
2018	161,500	5,152	166,652
Total	<u>\$ 365,000</u>	<u>\$ 16,796</u>	<u>\$ 381,796</u>

This debt will be retired from the MAEP Note Retirement Fund (Debt Service 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.

B. Three mill notes payable

Debt currently outstanding is as follows:

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2005	4.20%	9/1/2005	9/1/2020	\$ 1,065,000	\$ 435,000
Total				<u>\$ 1,065,000</u>	<u>\$ 435,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 80,000	\$ 16,590	\$ 96,590
2018	85,000	13,125	98,125
2019	85,000	9,555	94,555
2020	90,000	5,880	95,880
2021	95,000	1,995	96,995
Total	<u>\$ 435,000</u>	<u>\$ 47,145</u>	<u>\$ 482,145</u>

This debt will be retired from the Three Mill Note Fund (Debt Service Fund).

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, Series 2014	4.49%	9/23/2014	8/1/2026	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

D. Compensated absences payable

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$724,714, \$708,240 and \$708,429, 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 \$11,126,534 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 0.071979 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.001631 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$913,673. 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	\$ 260,462	\$
Net difference between projected and actual earnings on pension plan investments		320,364
Changes of assumptions	958,513	
Changes in proportion and differences between District contributions and proportionate share of contributions		299,290
District contributions subsequent to the measurement date	724,714	
Total	\$ <u>1,943,689</u>	\$ <u>619,654</u>

\$724,714 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 165,686
2018	172,929
2019	97,951
2020	162,755

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:

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 14,665,791	\$ 11,126,534	\$ 8,189,612

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

Note 8 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 320,810
2018	320,810
Total	<u>\$ 641,620</u>

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

Note 9 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

Explanation	Amount
1. To correct fund balances at the governmental fund level	(356)
2. To correct capital asset balances	(121,376)
Total	<u>\$ (121,732)</u>

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

Fund	Explanation	Amount
Other Governmental Funds	To correct fund balances	(356)
Total		<u>\$ (356)</u>

Note 10 – 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 11 – Risk Management

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

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax 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 lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 \$100,000. 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.

Year Ending June 30	Amount
2017	\$ 100,000
2018	100,000
2019	100,000
2020	100,000
2021	100,000
2022 – 2026	750,000
2027	150,000
Total	<u>\$ 1,400,000</u>

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$7,606,586) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$724,714 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$1,943,689 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$619,654 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 years.

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie Consolidated School District, Coahoma County School District, Quitman County School District, Coahoma Agricultural High School, and North Panola School District.

Section 37-13-92(6), Miss. Code Ann. (1972) allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The West Tallahatchie Consolidated School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2016

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Delta Alternative School.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2016

Revenues:

Local sources	
Tuition from other LEA's within the state	\$ 397,450
Total Revenues	<u>397,450</u>

Expenditures:

Employee salaries and benefits	434,605
Purchased technical services	1,668
Purchased property services	32,530
Other purchased services	382
Supplies	1,915
Total Expenditures	<u>471,100</u>

Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(73,650)</u>
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Other Financing Sources (Uses):

Operating transfers in	105,202
Total Other Financing Sources (Uses)	<u>105,202</u>

Net Change in Fund Balances	<u>31,552</u>
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Fund Balance:

July 1, 2015	40,314
June 30, 2016	\$ <u><u>71,866</u></u>

Note 15 - 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 West Tallahatchie School District evaluated the activity of the district through August 17, 2017, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST TALLAHATCHIE 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	\$ 2,728,087	\$ 3,222,965	\$ 3,222,965	\$ 494,878	\$ -	
State sources	3,927,531	3,888,959	3,888,959	(38,572)	-	
Federal sources	42,800	42,675	42,675	(125)	-	
Sixteenth section sources	-	321,028	321,028	321,028	-	
Total Revenues	6,698,418	7,475,627	7,475,627	777,209	-	
Expenditures:						
Instruction	3,974,462	3,560,293	3,560,293	414,169	-	
Support services	3,057,201	3,029,556	2,868,628	27,645	160,928	
Noninstructional services	47,082	36,068	36,068	11,014	-	
Debt service:						
Interest	-	-	60,428	-	(60,428)	
Other			500	-	(500)	
Total Expenditures	7,078,745	6,625,917	6,525,917	452,828	100,000	
Excess (Deficiency) of Revenues over (under) Expenditures	(380,327)	849,710	949,710	1,230,037	100,000	
Other Financing Sources (Uses):						
Payment to QSCB debt escrow agent	-	-	(100,000)	-	(100,000)	
Operating transfers in	344,978	983,885	983,885	638,907	-	
Operating transfers out	(380,326)	(1,044,808)	(1,044,808)	(664,482)	-	
Other financing sources	(2,500)	-	-	2,500	-	
Total Other Financing Sources (Uses)	(37,848)	(60,923)	(160,923)	(23,075)	(100,000)	
Net Change in Fund Balances	(418,175)	788,787	788,787	1,206,962	-	
Fund Balances:						
July 1, 2015	-	3,093,145	3,093,145	3,093,145	-	
June 30, 2016	\$ (418,175)	\$ 3,881,932	\$ 3,881,932	\$ 4,300,107	\$ -	

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	674,071	621,195	533,122	(52,876)	(88,073)
Total Revenues	674,071	621,195	533,122	(52,876)	(88,073)
Expenditures:					
Instruction	188,071	190,285	168,232	(2,214)	22,053
Support services	347,975	350,212	300,170	(2,237)	50,042
Noninstructional services	72,977	72,977	64,720	-	8,257
Total Expenditures	609,023	613,474	533,122	(4,451)	80,352
Excess (Deficiency) of Revenues over (under) Expenditures	65,048	7,721	-	(57,327)	(7,721)
Other Financing Sources (Uses):					
Operating transfers out	(7,721)	(7,721)	-	-	7,721
Total Other Financing Sources (Uses)	(7,721)	(7,721)	-	-	7,721
Net Change in Fund Balances	57,327	-	-	(57,327)	-
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ 57,327	\$ -	\$ -	\$ (57,327)	\$ -

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

West Tallahatchie School District
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset) \$	11,126,534	8,934,906
District's proportionate share of the net pension liability (asset)	0.071979%	0.073610%
District's covered - employee payroll	4,496,762	4,497,962
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.434%	198.643%
Plan fiduciary net position as a percentage of the total pension liability	61.704%	67.208%

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

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 724,714	708,240
Contributions in relation to the contractually required contribution	724,714	708,240
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered - employee payroll	4,601,359	4,496,762
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

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

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

WEST TALLAHATCHIE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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 consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of assumptions

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

SUPPLEMENTARY INFORMATION

WEST TALLAHATCHIE SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 188,171
National school lunch program	10.555	390,208
Summer feeding	10.559	35,815
Fresh fruits & vegetables	10.582	12,457
Total child nutrition cluster		<u>626,651</u>
Total passed-through Mississippi Department of Education		<u>626,651</u>
Total U.S. Department of Agriculture		<u>626,651</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	15,120
Total Federal Communications Commission		<u>15,120</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	567,672
Rehabilitation service	84.126	574
Rural Education	84.358	5,348
Improving teacher quality state grants	84.367	146,499
Subtotal		<u>720,093</u>
Special education cluster:		
Special education - grants to states	84.027	210,051
Special education - preschool grants	84.173	9,259
Total special education cluster		<u>219,310</u>
Total passed-through Mississippi Department of Education		<u>939,403</u>
Total U.S. Department of Education		<u>939,403</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	24,768
Total passed-through Mississippi Department of Education		<u>24,768</u>
Total U.S. Department of Health and Human Services		<u>24,768</u>
Total for All Federal Awards		<u>\$ 1,605,942</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

WEST TALLAHATCHIE SCHOOL DISTRICT

Supplementary Information

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	\$ 6,373,708	4,280,654	746,293	402,623	944,138
Other	3,627,022	403,704	343,765	4,672	2,874,881
Total	<u>\$ 10,000,730</u>	<u>4,684,358</u>	<u>1,090,058</u>	<u>407,295</u>	<u>3,819,019</u>
Total number of students *	<u>808</u>				
Cost per student	<u>\$ 12,377</u>	<u>5,797</u>	<u>1,349</u>	<u>504</u>	<u>4,727</u>

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 function: Support Services - School Administration.

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

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

OTHER INFORMATION

WEST TALLAHATCHIE 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	\$ 3,222,965	\$ 2,785,155	\$ 2,711,923	\$ 2,758,687
State sources	3,888,959	3,700,557	3,654,576	3,798,562
Federal sources	42,675	65,094	49,299	14,978
Sixteenth Section sources	321,028	320,985	-	-
Total Revenues	<u>7,475,627</u>	<u>6,871,791</u>	<u>6,415,798</u>	<u>6,572,227</u>
Expenditures:				
Instruction	3,560,293	3,547,586	3,420,074	3,516,369
Support services	2,868,628	2,824,415	2,883,944	2,723,717
Noninstructional services	36,068	50,121	42,256	48,997
Facilities acquisition and construction	-	-	-	619,544
Debt Service:				
Interest	60,428	-	-	-
Other	500	-	-	-
Total Expenditures	<u>6,525,917</u>	<u>6,422,122</u>	<u>6,346,274</u>	<u>6,908,627</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>949,710</u>	<u>449,669</u>	<u>69,524</u>	<u>(336,400)</u>
Other Financing Sources (Uses):				
Insurance recovery	-	10,049	-	-
Payments to QSCB debt escrow agent	(100,000)	-	-	-
Operating transfers in	251,422	-	-	-
Operating transfers out	(312,345)	-	(146,000)	-
Total Other Financing Sources (Uses)	<u>(160,923)</u>	<u>10,049</u>	<u>(146,000)</u>	<u>0</u>
Net Change in Fund Balances	<u>788,787</u>	<u>459,718</u>	<u>(76,476)</u>	<u>(336,400)</u>
Fund Balances:				
July 1 , as previously reported	3,093,145	1,635,853	1,711,214	2,296,679
Fund reclassification	-	999,572	-	-
Prior period adjustments	-	(1,998)	1,115	(249,065)
July 1 , as restated	<u>3,093,145</u>	<u>2,633,427</u>	<u>1,712,329</u>	<u>2,047,614</u>
End of Period	<u>\$ 3,881,932</u>	<u>\$ 3,093,145</u>	<u>\$ 1,635,853</u>	<u>\$ 1,711,214</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

WEST TALLAHATCHIE 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	\$ 3,267,973	\$ 2,922,723	\$ 2,839,775	\$ 2,881,827
Intermediate sources	58,541	-	4,194,777	44,082
State sources	4,249,452	4,153,267	1,764,378	4,330,021
Federal sources	1,682,858	1,779,598	396,665	1,812,178
Sixteenth section sources	321,028	320,986	-	290,493
Total Revenues	9,579,852	9,176,574	9,195,595	9,358,601
Expenditures:				
Instruction	4,146,806	4,112,157	4,018,065	4,088,524
Support services	4,762,141	3,624,396	3,648,808	3,608,873
Noninstructional services	719,216	685,474	692,714	726,400
Sixteenth section	-	-	40,106	47,960
Facilities acquisition and construction	-	-	-	619,544
Debt service:				
Principal	272,500	266,500	255,500	283,679
Interest	98,217	47,048	56,010	50,136
Other	1,850	1,350	1,250	1,250
Total Expenditures	10,000,730	8,736,925	8,712,453	9,426,366
Excess (Deficiency) of Revenues over (under) Expenditures	(420,878)	439,649	483,142	(67,765)
Other Financing Sources (Uses):				
Payment held by escrow agent	100,000	-	-	-
Bonds issued	-	1,500,000	-	-
Insurance recovery	-	10,049	-	-
Payment to QSCB debt escrow agent	(100,000)	-	-	-
Operating transfers in	568,460	-	146,000	-
Operating transfers out	(568,460)	-	(146,000)	-
Other financing uses	(4,981)	(4,923)	(26,051)	(4,247)
Total Other Financing Sources (Uses)	(4,981)	1,505,126	(26,051)	(4,247)
Net Change in Fund Balances	(425,859)	1,944,775	457,091	(72,012)
Fund Balances:				
July 1, as previously reported	5,187,817	3,234,402	2,781,082	2,852,007
Prior period adjustment	(356)	(1,998)	(3,771)	-
July 1, as restated	5,187,461	3,232,404	2,777,311	2,852,007
Increase (Decrease) in reserve for inventory	1,341	10,638	-	1,087
End of Period	\$ 4,762,943	\$ 5,187,817	\$ 3,234,402	\$ 2,781,082

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

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
West Tallahatchie 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 West Tallahatchie School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise West Tallahatchie School District's basic financial statements, and have issued our report thereon dated August 17, 2017 .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Tallahatchie 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 West Tallahatchie School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Tallahatchie School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness. **2016-01, 2016-02.**

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. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Tallahatchie 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*.

West Tallahatchie School District's response to the findings identified in our audit are described in the accompanying schedule of auditee's corrective actions. West Tallahatchie School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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.

McKenzie CPA, PLLC
Brandon, Mississippi
August 17, 2017

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McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

Superintendent and School Board
West Tallahatchie School District

Report on Compliance for Each Major Federal Program

We have audited West Tallahatchie School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of West Tallahatchie School District's major federal programs for the year ended June 30, 2016. West Tallahatchie School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West Tallahatchie School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and 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 West Tallahatchie 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 of West Tallahatchie School District's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as findings **2016-03, 2016-04 and 2016-05**. Our opinion on each major federal program is not modified with respect to this matter.

West Tallahatchie School District's response to the noncompliance findings identified in our audit is described in the accompanying auditee's corrective action plan. West Tallahatchie School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of West Tallahatchie School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Tallahatchie 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 West Tallahatchie School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned cost as **Finding 2016-03** that we consider to be a material weakness. **Finding 2016-04** and **Finding 2016-05** are considered to be significant deficiencies.

West Tallahatchie School District's response to the findings identified in our audit are described in the accompanying schedule of auditee's corrective actions. West Tallahatchie School District's response was not subjected to auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC
Brandon, Mississippi
August 17, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

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



McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042
(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

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

Superintendent and School Board
West Tallahatchie School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West Tallahatchie School District as of and for the year ended June 30, 2016, which collectively comprise West Tallahatchie School District's basic financial statements and have issued our report thereon dated August 17, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of 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 disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding 1:

Section 31-7-305 (2), Miss. Code Ann. (1972), states, "All public bodies that are authorized to issue checks in payment of goods and services ... shall mail or otherwise deliver such checks no later than forty-five (45) days after receipt of the invoice and receipt,...."

During our test of expenditures, we noted two invoices out of the twenty invoices tested that were paid over 45 days late from the date of the invoice. A majority of the invoices tested, including these two, were

not initialed or dated to indicate when received. We could only go by the invoice date to determine if the district was in compliance of submitting payments within 45 days of receipt.

Inadequate controls concerning interest resulted in this noncompliance with Section 31-7-305 (2), Miss. Code Ann. (1972).

Recommendation

We recommend the district comply with Section 31-7-305 (2), Miss. Code Ann. (1972), which requires invoices to be paid within 45 days of receipt. We also recommend the district establish controls to date and initial all invoices when received.

Response

The district will implement procedures to ensure all invoices are initialed and dated when received and payments are submitted within 45 days of receipt in accordance with Section 31-7-305 (2), Miss. Code Ann. (1972).

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in the this report to insure that corrective action has been taken.

The West Tallahatchie School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

McKenzie CPA, PLLC
Brandon, Mississippi
August 17, 2017

A handwritten signature in blue ink that reads "McKenzie CPA, PLLC". The signature is written in a cursive, flowing style.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST TALLAHATCHIE 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 weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | | |
| | | No |

Federal Awards:

- | | | |
|--|---------------------------------------|------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified? | Yes |
| 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 Uniformed Guidance 2 CFR 200.516(a)? | | |
| | | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
10.553; 10.555; 10.559	Child Nutrition Cluster

- | | | |
|--|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | | |
| | | No |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | | |
| | | Yes |

WEST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II: Financial Statement Findings

Material Weaknesses

2016-01 Finding

Payroll expenditures should be supported by adequate documentation.

Management is responsible for insuring that all payroll expenditures made by the district are adequately documented and properly calculated.

During our test of internal controls related to payroll expenditures, we found the following:

- A. One employee received improper payments for the last four months of the fiscal year. The employee received a raise and the district did not properly allocate the amount of the raise for the remainder of the year. The employee was paid \$40,166.66 for the year. After properly allocating the raise our calculations totaled \$32,474.99. The employee was overpaid by \$7,691.67.
- B. The district did not require timesheets for hourly employees. Without timesheets the district could not properly reconcile the employee's time to determine the correct docked and overtime amounts, if applicable.
- C. The federal programs director and a teacher were found to be paid with both federal and district money without timesheets or other documentation showing how time was being allocated.

Miscalculations of an employee's change in pay during the fiscal year could result in underpaying or overpaying the employee according the contract and board approval. Not paying the employee by the time worked as indicated on a timesheet could result in unsubstantiated charges made to the district or federal program. Omitting documentation of approval of additional compensation of the supplements from the board minutes could result in payments of unauthorized amounts.

Recommendation

We recommend the district implement procedures and internal controls to insure that changes in employees pay during the fiscal year will be properly calculated and paid accordingly. Additionally, the district should require timesheets for all hourly employees to ensure their time can be reconciled before payment. The district should also require all employees who are paid from both federal and district funds to keep timesheets or other documentation to allocate their time properly and to make sure they are being paid with the proper funds. The school board should also approve all salaries including supplements paid to district employees. The respective overpayments by the district to personnel should be returned to the district by the respective employees.

WEST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

2016-02 Finding

Capital assets should be properly documented and reported in the district's financial statements.

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets. This includes reviewing and updating the capital assets and depreciation reports to reflect the physical inventory. Proper documentation should also be filed for asset transfers and tagging.

During our test of internal controls related to capital assets, we found the following:

- A. Two assets were not found when we initially reviewed the sample. However the district was able to later locate assets at a later date before the report was issued.
- B. Several assets in the sample were not in the proper location according the asset report. Also, the district did not have the proper asset transfer paperwork completed to show where the assets were moved.
- C. Several assets in the sample were not properly tagged. They could be identified by the serial numbers, but the district did not apply the tag numbers assigned by the software to the assets.

Recommendation

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling them monthly to current month additions and board approved disposals of equipment. The district should also require an annual inventory of all capital assets within the district. The proper transfer paperwork should be submitted when an asset is moved to a new location within the district and each asset should be tagged with the number assigned by the software.

WEST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III: Federal Award Findings and Questioned Costs

Material Weakness

2016-03 Finding

Payroll file organization and support

Program: Child Nutrition Cluster and Title I Cluster
CFDA # 10.553, 10.555 ,10.559 & 84.010
Compliance Requirement: Allowable Costs/Cost Principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our testing of Child Nutrition payroll sample and within our normal payroll testing procedures we noticed the following deficiencies that applied to federal awards:

- A. Several documents were missing in the employee files, including withholding forms, direct deposit forms, and cafeteria forms. The district claims to have the paperwork but it has not been properly filed in the employee files.
- B. Timesheets were not required by the district for hourly employees. The hourly cafeteria workers did not have timesheets to substantiate the hours worked. Not paying the employees by the time worked as indicated on the timesheet could result in overpayment or underpayment of charges made to the federal program. Payment of wages without adequate records could result in employees being improperly compensated. There was not enough support without timesheets to make that determination.
- C. Personnel Activity Records and Semi-annual time certifications were not provided for federal programs director tested to support duties.

Recommendation

The district should maintain adequate records for all personnel to support payroll expenditures. Timesheets should be required and reconciled to ensure the proper amount is paid for the actual amount of time worked.

WEST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Significant Deficiencies Not Considered to be a Material Weakness

2016-04 Finding

Internal controls surrounding special education cash management principles should be strengthened.

Program: Special Education Cluster, Passed-through the Mississippi Department of Education
CFDA # 84.027 & 84.173
Compliance Requirement: Cash Management

Management is responsible for complying with the requirements of the Mississippi Department of Education Special Education Policy and Procedures Manual, which recommends that expenditures should be expended before the reimbursements are requested.

During our tests of the Special Education Cluster allocations, we noted the following weaknesses:

- A. The cash balance was excessive for Special Education Cluster by \$18,935.47 in the allocation of funds to the district for reimbursement of expenditures that had not been expended by the district.

Improper internal controls resulted in the district not requesting reimbursements accurately.

By requiring more than one staff member to review the reimbursement request reduces the risk of fraud and errors occurring and not being detected within a timely period. Improper internal controls concerning Special Education allocations could result in questioned cost by the Special Education Cluster agencies.

Recommendation

The district should implement stronger internal controls to ensure that all reimbursements are requested accurately in each area when the expenditure is actually expended by the district.

WEST TALLAHATCHIE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

2016-05 Finding

Internal controls over reporting.

Program: Child Nutrition Cluster
CFDA # 10.553, 10.555 & 10.559
Compliance Requirement: Reporting

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which requires that the monthly claims forms be received by the 10th day of the month following the reporting month.

Eight of ten reporting months were filed after the 10th of the following month.

Recommendation

The district should implement policies and procedures to insure compliance with the reporting requirements.

**West Tallahatchie School District
P. O. Box 129
Office of the Superintendent
Webb, Mississippi 38966
Christopher Furdge, Superintendent
Madalyn Johnson, Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by the Uniform Guidance, the West Tallahatchie School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2016:

Finding	Corrective Action Plan Details
2016-01	<p>Payroll expenditures should be supported by adequate documentation</p> <p>A. Name of contact person responsible for corrective action: Name: Madalyn Johnson Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>Time clocks have been installed in all locations and all hourly employees are now required to clock in and out. Timesheets will be reconciled before payroll is processed. Employees being paid from both federal and district funds will keep timesheets showing how time is allocated between the funds. The business manager will review all payroll calculations before payments are submitted. The district will keep better board minutes showing approval of all salaries and supplements paid to all employees.</p>
2016-02	<p>Capital assets should be properly documented and reported in the district's financial statements.</p> <p>A. Name of contact person responsible for corrective action: Name: Madalyn Johnson Title: Business Manager</p> <p>B. Corrective action planned:</p> <p>The district will implement better controls for asset transfers between locations and ensure the proper paperwork is filled out to make the proper adjustments in the accounting software. The district will perform two internal inventory audits, one in December and another at the end of the year to ensure all assets are in the proper location and have been tagged with the assigned number from the software.</p>

**West Tallahatchie School District
P. O. Box 129
Office of the Superintendent
Webb, Mississippi 38966
Christopher Furdge, Superintendent
Madalyn Johnson, Business Manager**

2016-03

Payroll file organization and support

A. Name of contact person responsible for corrective action:

Name: Madalyn Johnson

Title: Business Manager

B. Corrective action planned:

The payroll clerk and business manager will ensure all paperwork is filed into the employee files timely and all hourly employees timesheets are reconciled and filed.

2016-04

Internal controls surrounding special education cash management principles should be strengthened.

A. Name of contact person responsible for corrective action:

Name: Madalyn Johnson

Title: Business Manager

B. Corrective action planned:

The business manager will review monthly to ensure all reimbursements are requested accurately and properly reflects when the expenditures are actually expended by the district.

2016-05

Internal controls over reporting

A. Name of contact person responsible for corrective action:

Name: Bertha Jones

Title: Food Service Director

B. Corrective action planned:

The food service director will ensure that monthly claims reporting will be filed by the 10th day of the month following the reporting month.

**West Tallahatchie School District
P. O. Box 129
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Christopher Furdge, Superintendent
Madalyn Johnson, Business Manager**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Uniformed Guidance, the West Tallahatchie School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2016:

<u>Findings</u>	<u>Status</u>
2015-01	Corrected
2015-02	See 2016-02
2015-03	See 2016-05