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Wilkinson County School District

Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

Wilkinson County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County 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 Wilkinson County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wilkinson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District Contributions on pages 8 to 15 and 46 to 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative

and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 February 8, 2017, on our consideration of the Wilkinson County 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 Wilkinson County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 8, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$409,110, including a prior period adjustment of (\$2,630), which represents a 179% decrease from fiscal year 2015. Total net position for 2015 decreased \$14,021,707, including a prior period adjustment of (\$14,667,868) due primarily to the effect of the net pension liability, which represents a 102% decrease from fiscal year 2014.
- General revenues amounted to \$9,297,737 and \$9,299,314, or 76% 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 \$2,966,455, or 24% of total revenues for 2016, and \$3,019,952, or 25% of total revenues for 2015.
- The District had \$12,670,672 and \$11,673,105 in expenses for fiscal years 2016 and 2015; only \$2,966,455 for 2016 and \$3,019,952 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,297,737 for 2016 were not adequate to provide for these programs. General revenues of \$9,299,314 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,853,804 in revenues and \$8,392,704 in expenditures for 2016, and \$8,368,412 in revenues and \$8,125,397 in expenditures in 2015. The General Fund's fund balance increased by \$97,852 from 2015 to 2016, and increased by \$5,880,193 from 2014 to 2015, including a fund reclassification of \$6,205,635 and a prior period adjustment of (\$46,024).
- Capital assets, net of accumulated depreciation, decreased by \$370,816 for 2016 and decreased by \$381,642 for 2015. The decrease for 2016 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$145,898 for 2016 and decreased by \$1,172,859 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$22,897 for 2016 and decreased by \$2,917 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.

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and

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

deferred inflows of resources exceeded assets and deferred outflows of resources by \$638,269 as of June 30, 2016.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 8,138,788	\$ 8,395,165	(3.05) %
Restricted assets	2,733,236	2,483,051	10.08 %
Capital assets, net	6,445,091	6,815,907	(5.44) %
Total assets	17,317,115	17,694,123	(2.13) %
 Deferred outflows of resources	 3,786,224	 1,238,133	 205.80 %
 Current liabilities	 86,447	 68,590	 26.03 %
Long-term debt outstanding	3,374,050	3,542,845	(4.76) %
Net pension liability	16,246,078	13,077,299	24.23 %
Total liabilities	19,706,575	16,688,734	18.08 %
 Deferred inflows of resources	 2,035,033	 2,472,681	 (17.70) %
 Net position:			
Net investment in capital assets	4,970,091	5,065,907	(1.89) %
Restricted	4,014,511	4,203,317	(4.49) %
Unrestricted	(9,622,871)	(9,498,383)	(1.31) %
Total net position	\$ (638,269)	\$ (229,159)	(178.53) %

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)	\$ (9,622,871)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	14,494,887
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,872,016</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 \$370,816.
- The issuance of long-term debt in the amount of \$195,048.
- The principal retirement of \$340,946 of long-term debt.

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

- Recognition of the net pension liability in the amount of \$16,246,078.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$12,264,192 and \$12,319,266, respectively. The total cost of all programs and services was \$12,670,672 for 2016 and \$11,673,105 for 2015.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 391,341	\$ 328,562	19.11 %
Operating grants and contributions	2,575,114	2,691,390	(4.32) %
General revenues:			
Property taxes	2,242,720	2,152,835	4.18 %
Grants and contributions not restricted	6,217,016	6,095,796	1.99 %
Investment earnings	29,579	44,081	(32.90) %
Sixteenth section sources	714,443	952,339	(24.98) %
Other	93,979	54,263	73.19 %
Total revenues	12,264,192	12,319,266	(0.45) %
Expenses:			
Instruction	5,336,971	5,172,984	3.17 %
Support services	4,911,839	4,627,706	6.14 %
Non-instructional	1,069,756	1,042,174	2.65 %
Sixteenth section	49,226	83,657	(41.16) %
Pension expense	1,238,512	678,110	82.64 %
Interest on long-term liabilities	64,368	68,474	(6.00) %
Total expenses	12,670,672	11,673,105	8.55 %
Increase (Decrease) in net position	(406,480)	646,161	(162.91) %
Net Position, July 1, as previously reported	(229,159)	13,792,548	(101.66) %
Prior Period Adjustment	(2,630)	(14,667,868)	(99.98) %
Net Position, July 1, as restated	(231,789)	(875,320)	73.52 %
Net Position, June 30	\$ (638,269)	\$ (229,159)	(178.53) %

Governmental activities

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

WILKINSON COUNTY 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	\$ 5,336,971	\$ 5,172,984	3.17 %
Support services	4,911,839	4,627,706	6.14 %
Non-instructional	1,069,756	1,042,174	2.65 %
Sixteenth section	49,226	83,657	(41.16) %
Pension Expense	1,238,512	678,110	82.64 %
Interest on long-term liabilities	64,368	68,474	(6.00) %
Total expenses	\$ 12,670,672	\$ 11,673,105	8.55 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (4,477,291)	\$ (4,318,174)	3.68 %
Support services	(3,904,423)	(3,534,077)	10.48 %
Non-instructional	(24,980)	(14,628)	70.77 %
Sixteenth section	5,357	(39,690)	(113.50) %
Pension Expense	(1,238,512)	(678,110)	82.64 %
Interest on long-term liabilities	(64,368)	(68,474)	(6.00) %
Total net (expense) revenue	\$ (9,704,217)	\$ (8,653,153)	12.15 %

- Net cost of governmental activities (\$9,704,217 for 2016 and \$8,653,153 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$2,242,720 for 2016 and \$2,152,835 for 2015) and state and federal revenues (\$6,217,016 for 2016 and \$6,095,796 for 2015). In addition, there was \$714,443 and \$952,339 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$29,579 for 2016 and \$44,081 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 \$10,819,061, a decrease of \$21,393, which includes a decrease in inventory of \$2,955. \$6,657,256, or 62% 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 \$4,161,805, or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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

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 \$97,852. The fund balance of Other Governmental Funds showed a decrease in the amount of \$194,401, which includes a decrease in inventory of \$2,955. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Low Grant Fund	no increase or decrease
Sixteenth Section Principal Fur \$	75,156

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 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 and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$13,600,940, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$44,272 from 2015. Total accumulated depreciation as of June 30, 2016, was \$7,155,849, and total depreciation expense for the year was \$389,674, resulting in total net capital assets of \$6,445,091.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 113,365	\$ 113,365	0.00 %
Construction in Progress	-	2,630	(100.00) %
Buildings	3,411,970	3,509,490	(2.78) %
Building improvements	2,180,345	2,344,876	(7.02) %
Improvements other than buildings	209,091	219,133	(4.58) %
Mobile equipment	414,596	494,148	(16.10) %
Furniture and equipment	115,724	132,265	(12.51) %
Total	<u>\$ 6,445,091</u>	<u>\$ 6,815,907</u>	(5.44) %

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

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

Debt Administration. At June 30, 2016, the District had \$3,374,050 in outstanding long-term debt, of which \$346,503 is due within one year. During the fiscal year, the District received proceeds from the issuance of a revenue shortfall note in the amount of \$195,048. The District made principal payments totaling \$340,946 on outstanding long-term debt. The liability for compensated absences decreased \$22,897 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 475,000	\$ 700,000	(32.14) %
Shortfall notes payable	195,048	105,946	84.10 %
Qualified school construction bonds payable	2,640,000	2,650,000	(0.38) %
Compensated absences payable	64,002	86,899	(26.35) %
Total	<u>\$ 3,374,050</u>	<u>\$ 3,542,845</u>	<u>(4.76) %</u>

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

CURRENT ISSUES

The Wilkinson County School District is financially stable. The District is proud of its community support of the public schools.

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

The District actively pursues grant funding to supplement 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 Wilkinson County School District, P.O. Box 785, Woodville, MS 39669.

FINANCIAL STATEMENTS

WILKINSON COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,369,175
Investments	2,609,293
Due from other governments	1,141,964
Accrued interest receivable	843
Inventories	10,089
Prepaid items	7,424
Restricted assets	2,733,236
Capital assets, non-depreciable:	
Land	113,365
Capital assets, net of accumulated depreciation:	
Buildings	3,411,970
Building improvements	2,180,345
Improvements other than buildings	209,091
Mobile equipment	414,596
Furniture and equipment	115,724
Total Assets	<u>17,317,115</u>
 Deferred Outflows of Resources	
Deferred outflow related to pensions	<u>3,786,224</u>
Total Deferred Outflows of Resources	<u>3,786,224</u>
 Liabilities	
Accounts payable and accrued liabilities	51,434
Unearned revenue	1,529
Interest payable on long-term liabilities	33,484
Long-term liabilities, due within one year:	
Capital related liabilities	235,000
Non-capital related liabilities	111,503
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,240,000
Non-capital related liabilities	1,787,547
Net pension liability	<u>16,246,078</u>
Total Liabilities	<u>19,706,575</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	<u>2,035,033</u>
Total Deferred Inflows of Resources	<u>2,035,033</u>
 Net Position	
Net investment in capital assets	4,970,091
Restricted for:	
Expendable:	
School-based activities	463,745
Debt service	1,015,070
Improvements and renovations	96,846
Forestry improvements	229,105
Unemployment benefits	26,256
Non-expendable:	
Sixteenth section	2,183,489
Unrestricted	<u>(9,622,871)</u>
Total Net Position (deficit)	<u>\$ (638,269)</u>

WILKINSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

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	\$ 5,336,971	\$ 190,008	\$ 669,672	\$ -	\$	(4,477,291)
Support services	4,911,839	-	1,007,416	-		(3,904,423)
Non-instructional	1,069,756	146,750	898,026	-		(24,980)
Sixteenth section	49,226	54,583	-	-		5,357
Pension expense	1,238,512	-	-	-		(1,238,512)
Interest on long-term liabilities	64,368	-	-	-		(64,368)
Total Governmental Activities	<u>\$ 12,670,672</u>	<u>\$ 391,341</u>	<u>\$ 2,575,114</u>	<u>\$ -</u>	<u>\$</u>	<u>(9,704,217)</u>
General Revenues:						
Taxes:						
General purpose levies						1,940,577
Debt purpose levies						302,143
Unrestricted grants and contributions:						
State						6,109,334
Federal						107,682
Unrestricted investment earnings						29,579
Sixteenth section sources						714,443
Other						93,979
Total General Revenues						<u>9,297,737</u>
Change in Net Position						<u>(406,480)</u>
Net Position - Beginning, as previously reported						(229,159)
Prior Period Adjustments						<u>(2,630)</u>
Net Position - Beginning, as restated						<u>(231,789)</u>
Net Position (deficit) - Ending						<u><u>\$ (638,269)</u></u>

WILKINSON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds					Total Governmental Funds
	General Fund	Title I Low Grant Fund	Sixteenth Section Principal Fund	Other Governmental Funds		
Assets						
Cash and cash equivalents	\$ 3,192,832	\$ -	\$ 661,650	\$ 1,176,343	\$	5,030,825
Cash with fiscal agents	-	-	-	10,086		10,086
Investments	2,609,293	-	1,500,000	561,500		4,670,793
Due from other governments	291,152	551,677	5,589	293,546		1,141,964
Accrued interest receivable	-	-	-	843		843
Due from other funds	639,718	-	-	11,218		650,936
Advance to other funds	-	-	16,250	-		16,250
Inventories	-	-	-	10,089		10,089
Prepaid items	7,424	-	-	-		7,424
Total assets	<u>\$ 6,740,419</u>	<u>\$ 551,677</u>	<u>\$ 2,183,489</u>	<u>\$ 2,063,625</u>	<u>\$</u>	<u>11,539,210</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 13,713	\$ 86	\$ -	\$ 37,635	\$	51,434
Due to other funds	-	551,591	-	99,345		650,936
Advances from other funds	16,250	-	-	-		16,250
Unavailable revenue - federal programs	-	-	-	1,529		1,529
Total Liabilities	<u>29,963</u>	<u>551,677</u>	<u>-</u>	<u>138,509</u>		<u>720,149</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	10,089		10,089
Permanent fund principal	-	-	2,167,239	-		2,167,239
Advances	-	-	16,250	-		16,250
Prepaid items	7,424	-	-	-		7,424
Restricted:						
Debt service	-	-	-	1,048,554		1,048,554
Improvement and renovation projects	-	-	-	96,846		96,846
Forestry improvement purposes	-	-	-	229,105		229,105
Grant activities	-	-	-	45,499		45,499
Unemployment benefits	-	-	-	26,256		26,256
Child nutrition	-	-	-	400,733		400,733
Assigned:						
Capital improvements	-	-	-	68,034		68,034
Activity fund purposes	45,776	-	-	-		45,776
Unassigned	<u>6,657,256</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>6,657,256</u>
Total Fund Balances	<u>6,710,456</u>	<u>-</u>	<u>2,183,489</u>	<u>1,925,116</u>		<u>10,819,061</u>
Total Liabilities and Fund Balances	<u>\$ 6,740,419</u>	<u>\$ 551,677</u>	<u>\$ 2,183,489</u>	<u>\$ 2,063,625</u>	<u>\$</u>	<u>11,539,210</u>

WILKINSON COUNTY 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 \$ 10,819,061

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	\$ 113,365	
Buildings	6,175,629	
Building improvements	4,206,780	
Improvements other than buildings	472,573	
Mobile equipment	1,712,090	
Furniture and equipment	920,503	
Accumulated depreciation	<u>(7,155,849)</u>	6,445,091

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		(16,246,078)
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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	3,786,224	
Deferred inflows of resources related to pensions	<u>(2,035,033)</u>	1,751,191

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 bonds	(475,000)	
Other bonds payable	(2,640,000)	
Notes payable	(195,048)	
Compensated absences	(64,002)	
Accrued interest payable	<u>(33,484)</u>	(3,407,534)

Net Position of governmental activities		<u><u>\$ (638,269)</u></u>
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WILKINSON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Low Grant Fund	Sixteenth Section Principal Fund	Other Governmental Funds		
Revenues:						
Local sources	\$ 2,223,021	\$ 19	\$ -	\$ 454,806	\$	2,677,846
State sources	5,834,688	-	-	585,527		6,420,215
Federal sources	139,025	772,024	-	1,460,866		2,371,915
Sixteenth section sources	657,070	-	81,981	55,165		794,216
Total Revenues	8,853,804	772,043	81,981	2,556,364		12,264,192
Expenditures:						
Instruction	4,806,849	240,413	-	679,061		5,726,323
Support services	3,449,584	356,233	-	1,395,042		5,200,859
Noninstructional services	130,137	40,480	-	927,995		1,098,612
Sixteenth section	4,764	-	-	44,462		49,226
Debt service:						
Principal	-	-	-	340,946		340,946
Interest	1,300	-	-	57,936		59,236
Other	70	-	-	2,406		2,476
Total Expenditures	8,392,704	637,126	-	3,447,848		12,477,678
Excess (Deficiency) of Revenues over (under) Expenditures	461,100	134,917	81,981	(891,484)		(213,486)
Other Financing Sources (Uses):						
Bonds and notes issued	195,048	-	-	-		195,048
Payments held by escrow agent	-	-	-	144,000		144,000
Payment to QSCB debt escrow agent	-	-	-	(144,000)		(144,000)
Operating transfers in	62,911	-	-	741,940		804,851
Operating transfers out	(621,207)	(134,917)	(6,825)	(41,902)		(804,851)
Total Other Financing Sources (Uses)	(363,248)	(134,917)	(6,825)	700,038		195,048
Net Change in Fund Balances	97,852	-	75,156	(191,446)		(18,438)
Fund Balances:						
July 1, 2015	6,612,604	-	2,108,333	2,119,517		10,840,454
Increase (Decrease) in inventory	-	-	-	(2,955)		(2,955)
June 30, 2016	\$ 6,710,456	\$ -	\$ 2,183,489	\$ 1,925,116	\$	10,819,061

WILKINSON COUNTY 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 \$ (18,438)

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

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

Capital outlay	\$ 33,671	
Depreciation expense	<u>(389,674)</u>	(356,003)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (12,183)

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:

Bonds and notes issued	(195,048)	
Payments of debt principal	340,946	
Accrued interest payable	<u>(2,656)</u>	143,242

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	(1,238,512)	
Recording of contributions made subsequent to the measurement date	<u>1,055,472</u>	(183,040)

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	22,897	
Change in inventory	<u>(2,955)</u>	19,942

Change in Net Position of governmental activities	\$	(406,480)
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WILKINSON COUNTY SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2016****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 343,642
Due from other governments	369
Total Assets	<u>\$ 344,011</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 317,341
Due to student clubs	26,670
Total Liabilities	<u>\$ 344,011</u>

Wilkinson County School District

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

WILKINSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or

WILKINSON COUNTY SCHOOL DISTRICT

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

applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Title I Low Grant Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

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

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

The 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 accounts payable 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

WILKINSON COUNTY SCHOOL DISTRICT

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

support the district's programs.

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

WILKINSON COUNTY SCHOOL DISTRICT

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 14 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

WILKINSON COUNTY SCHOOL DISTRICT

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

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 nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

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

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.

WILKINSON COUNTY SCHOOL DISTRICT

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

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, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,140,118 (which includes \$4,109,293 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$343,642, respectively. The carrying amount of deposits reported in the government-wide financial statements includes cash and cash equivalents of \$4,369,175, investments of \$2,609,293 (which is certificates of deposit with original maturities beyond three months and reported as investments in the

WILKINSON COUNTY SCHOOL DISTRICT

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

General Fund), and a portion of restricted assets in the amount of \$2,161,650 (which represents the cash and investment (CD) balance of the Sixteenth Section Principal Fund). The bank balance was \$10,095,255.

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 \$10,095,255 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 \$10,086.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	N/A	10 years	\$ 561,500
Certificates of deposit	N/A	less than 1 year	4,109,293
Total			<u>\$ 4,670,793</u>

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

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

- U.S. Treasury SLGS Deposits of \$561,500 are valued using quoted market prices (Level 1 inputs)
- Certificates of deposit totaling \$4,109,293 are valued at fair value as of the end of the fiscal year (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment

WILKINSON COUNTY SCHOOL DISTRICT

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

policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2016, the district had the following investments:

Issuer	Fair Value	% of Total Investment
U.S. Treasury SLGS Deposit - Bank Plus Wealth Management	\$ 561,500	12%
Certificates of deposit - Concordia Bank & Trust	4,109,293	88%
Total	<u>\$ 4,670,793</u>	<u>100%</u>

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 Low Grant Fund	\$ 551,591
	Other governmental funds	88,127
Other governmental funds	Other governmental funds	11,218
Total		<u>\$ 650,936</u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 16,250
Total		<u>\$ 16,250</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

WILKINSON COUNTY SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 16,250	\$ 650	\$ 16,900
Total	\$ 16,250	\$ 650	\$ 16,900

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 621,207
Title I Low Grant Fund	General Fund	14,184
	Other governmental funds	120,733
Sixteenth Section Principal Fund	General Fund	6,825
Other governmental funds	General Fund	41,902
Total		<u>\$ 804,851</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, the transfer of expendable sixteenth section sources, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$661,650 and \$1,500,000, respectively, 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 \$3,650 of the MAEP Limited Obligation Bond Fund. Also, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$6,436 and \$561,500, respectively, of the QSCB Bond Retirement Funds.

WILKINSON COUNTY SCHOOL DISTRICT

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

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Adjustment s	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 113,365	\$	\$	\$	\$ 113,365
Construction-in-progress	2,630			(2,630)	-
Total non-depreciable capital assets	115,995	-	-	(2,630)	113,365
<u>Depreciable capital assets:</u>					
Buildings	6,175,629				6,175,629
Building improvements	4,206,780				4,206,780
Improvements other than buildings	472,573				472,573
Mobile equipment	1,775,590		63,500		1,712,090
Furniture and equipment	898,645	33,671	11,813		920,503
Total depreciable capital assets	13,529,217	33,671	75,313	-	13,487,575
<u>Less accumulated depreciation for:</u>					
Buildings	2,666,139	97,520			2,763,659
Building improvements	1,861,904	164,531			2,026,435
Improvements other than buildings	253,440	10,042			263,482
Mobile equipment	1,281,442	67,487	51,435		1,297,494
Furniture and equipment	766,380	50,094	11,695		804,779
Total accumulated depreciation	6,829,305	389,674	63,130	-	7,155,849
Total depreciable capital assets, net	6,699,912	(356,003)	12,183	-	6,331,726
Governmental activities capital assets, net	\$ 6,815,907	\$ (356,003)	\$ 12,183	\$ (2,630)	\$ 6,445,091

An adjustment was needed to remove non-capital expenditures in the prior year from construction in progress.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 269,744
Support services	106,071
Non-instructional	13,859
Total depreciation expense - Governmental activities	\$ 389,674

WILKINSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For 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 bonds payable	\$ 700,000	\$	\$ 225,000	\$ 475,000	\$ 235,000
B. Shortfall notes payable	105,946	195,048	105,946	195,048	63,303
C. Qualified school construction bonds payable	2,650,000		10,000	2,640,000	45,000
D. Compensated absences payable	86,899		22,897	64,002	3,200
Total	\$ 3,542,845	\$ 195,048	\$ 363,843	\$ 3,374,050	\$ 346,503

A. Limited obligation 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
MAEP Refunding Bonds,					
Series 2009	3.09%	5/19/2009	2/1/2018	\$ 1,850,000	\$ 475,000
Total				\$ 1,850,000	\$ 475,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 235,000	\$ 14,677	\$ 249,677
2018	240,000	7,416	247,416
Total	\$ 475,000	\$ 22,093	\$ 497,093

This debt will be retired from the MAEP Retirement Fund.

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

WILKINSON COUNTY SCHOOL DISTRICT

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue shortfall note, Series 2016	2.69%	6/14/2016	6/14/2019	\$ 195,048	\$ 195,048
Total				<u>\$ 195,048</u>	<u>\$ 195,048</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 63,303	\$ 5,239	\$ 68,542
2018	64,998	3,544	68,542
2019	66,747	1,795	68,542
Total	<u>\$ 195,048</u>	<u>\$ 10,578</u>	<u>\$ 205,626</u>

This debt will be retired from the Wilkinson County Note & Interest Fund.

C. Qualified school construction bonds payable

As more fully explained in Note 13, 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
1. QSCB, Series 2010	0.65%	12/21/2010	12/15/2025	\$ 2,000,000	\$ 2,000,000
2. QSCB, Series 2014	5.45%	1/28/2015	12/1/2027	650,000	640,000
Total				<u>\$ 2,650,000</u>	<u>\$ 2,640,000</u>

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

WILKINSON COUNTY SCHOOL DISTRICT

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

1. QSCB bonds issued on December 21, 2010:

Year Ending June 30	Principal	Interest	Total
2017	\$ -	\$ 13,000	\$ 13,000
2018	-	13,000	13,000
2019	-	13,000	13,000
2020	-	13,000	13,000
2021	-	13,000	13,000
2022 – 2026	2,000,000	65,000	2,065,000
Total	\$ 2,000,000	\$ 130,000	\$ 2,130,000

This debt will be retired from the QSCB Retirement Fund.

2. QSCB bonds issued on January 28, 2015:

Year Ending June 30	Principal	Interest	Total
2017	\$ 45,000	\$ 34,880	\$ 79,880
2018	45,000	32,428	77,428
2019	45,000	29,975	74,975
2020	45,000	27,522	72,522
2021	45,000	25,070	70,070
2022 – 2026	205,000	90,198	295,198
2027 – 2028	210,000	17,167	227,167
Total	\$ 640,000	\$ 257,240	\$ 897,240

This debt will be retired from the QSCB Retirement Fund.

Total QSCB payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 45,000	\$ 47,880	\$ 92,880
2018	45,000	45,428	90,428
2019	45,000	42,975	87,975
2020	45,000	40,522	85,522
2021	45,000	38,070	83,070
2022 – 2026	2,205,000	155,198	2,360,198
2027 – 2028	210,000	17,167	227,167
Total	\$ 2,640,000	\$ 387,240	\$ 3,027,240

The District has currently pledged the EEF Buildings and Buses funds of \$45,921 per year to pay the annual sinking fund deposit and interest payment until maturity of the debt.

WILKINSON COUNTY SCHOOL DISTRICT

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

D. Compensated absences payable

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

Note 7 – Prior Year Defeasance of Debt

In prior years, the Wilkinson County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2016, \$470,000 of bonds outstanding are defeased.

Note 8 – 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

WILKINSON COUNTY SCHOOL DISTRICT

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

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 \$1,055,472, \$1,034,131 and \$1,036,867, 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 \$16,246,078 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 0.105098 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.002639 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,238,512. 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	\$ 380,639	\$
Net difference between projected and actual earnings on pension plan investments	950,569	1,421,738
Changes of assumptions	1,399,544	
Changes in proportion and differences between District contributions and proportionate share of contributions		369,465
Difference between net impact of entries and calculated balance of net pension liability		243,830
District contributions subsequent to the measurement date	1,055,472	
Total	\$ <u>3,786,224</u>	\$ <u>2,035,033</u>

\$1,055,472 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	\$ 146,360
2018	175,882
2019	135,835
2020	237,642

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:

WILKINSON COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 21,413,819	\$ 16,246,078	\$ 11,957,819

WILKINSON COUNTY SCHOOL DISTRICT

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

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 9 – 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.

Year Ending June 30	Amount
2017	\$ 274,681
Total	<u>\$ 274,681</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To remove non-capital expenditures from prior year from construction in progress on the capital assets schedule	\$ (2,630)
Total	- <u>\$ (2,630)</u>

Note 11 – Contingencies

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

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

WILKINSON COUNTY SCHOOL DISTRICT

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 13 – 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 percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$22,609.

For the \$2,000,000 QSCB, Series 2010, issued on December 21, 2010, the school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax 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 \$568,779, including accrued income of \$843. 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.

WILKINSON COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Sinking Fund Deposits
2017	\$ 144,000
2018	144,000
2019	144,000
2020	144,000
2021	144,000
2022 – 2026	718,000
Total	<u>\$ 1,438,000</u>

For the \$650,000 QSCB, Series 2014, issued on January 28, 2015, the school district makes annual principal and interest payments, in which the principal portion is a reduction of the outstanding balance of the long-term debt. See Note 6.C.2 for a schedule of annual principal and interest payments.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,622,871) 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 \$1,055,472 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 \$2,730,752 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 3 years. The \$2,035,033 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 4 years.

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 Wilkinson County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

House Bill 1729, 2016 Regular Legislative Session, authorizes the issuance of \$200,000 in State General Obligation bonds to provide funds to assist the Wilkinson County School District in paying the costs associated with infrastructure and infrastructure related projects. The Wilkinson County School District is currently in the process of declaring the necessity to issue these bonds and requesting the Department of Finance and Administration (DFA) to include \$200,000 in the resolution for the fall bond sale.

REQUIRED SUPPLEMENTARY INFORMATION

WILKINSON COUNTY 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	Final
				to Final	to Actual
Revenues:					
Local sources	\$ 2,127,163	\$ 2,334,928	\$ 2,223,021	\$ 207,765	\$ (111,907)
State sources	6,124,230	6,134,230	5,834,688	10,000	(299,542)
Federal sources	91,799	91,799	139,025	-	47,226
Sixteenth section sources	-	669,491	657,070	669,491	(12,421)
Total Revenues	8,343,192	9,230,448	8,853,804	887,256	(376,644)
Expenditures:					
Instruction	5,536,025	5,698,790	4,806,849	(162,765)	891,941
Support services	3,758,124	3,813,124	3,449,584	(55,000)	363,540
Noninstructional services	103,628	103,628	130,137	-	(26,509)
Sixteenth section	-	4,791	4,764	(4,791)	27
Debt service:					
Principal	16,250	16,250	-	-	16,250
Interest	1,300	1,300	1,300	-	-
Other	-	-	70	-	(70)
Total Expenditures	9,415,327	9,637,883	8,392,704	(222,556)	1,245,179
Excess (Deficiency) of Revenues over (under) Expenditures	(1,072,135)	(407,435)	461,100	664,700	868,535
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	195,048	-	195,048
Operating transfers in	3,281,189	3,288,800	62,911	7,611	(3,225,889)
Operating transfers out	(1,821,857)	(4,041,145)	(621,207)	(2,219,288)	3,419,938
Total Other Financing Sources (Uses)	1,459,332	(752,345)	(363,248)	(2,211,677)	389,097
Net Change in Fund Balances	387,197	(1,159,780)	97,852	(1,546,977)	1,257,632
Fund Balances:					
July 1, 2015, as previously reported	538,818	6,514,315	6,612,604	5,975,497	98,289
Prior period adjustments	-	(1,218)	-	(1,218)	1,218
July 1, 2015, as restated	538,818	6,513,097	6,612,604	5,974,279	99,507
June 30, 2016	\$ 926,015	\$ 5,353,317	\$ 6,710,456	\$ 4,427,302	\$ 1,357,139

WILKINSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Low Grant 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	\$ -	\$ -	\$ 19	\$ -	\$ 19
Federal sources	929,688	929,688	772,024	-	(157,664)
Total Revenues	929,688	929,688	772,043	-	(157,645)
Expenditures:					
Instruction	271,419	271,419	240,413	-	31,006
Support services	494,540	501,215	356,233	(6,675)	144,982
Noninstructional services	43,601	43,601	40,480	-	3,121
Total Expenditures	809,560	816,235	637,126	(6,675)	179,109
Excess (Deficiency) of Revenues over (under) Expenditures	120,128	113,453	134,917	(6,675)	21,464
Other Financing Sources (Uses):					
Operating transfers out	(120,128)	(120,128)	(134,917)	-	(14,789)
Total Other Financing Sources (Uses)	(120,128)	(120,128)	(134,917)	-	(14,789)
Net Change in Fund Balances	-	(6,675)	-	(6,675)	6,675
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ (6,675)	\$ -	\$ (6,675)	\$ 6,675

Wilkinson County School District

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

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 16,246,078	13,077,299
District's proportionate share of the net pension liability (asset)	0.105098%	0.107737%
District's covered - employee payroll	6,565,911	6,583,283
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

* 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.

Wilkinson County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 1,055,472	1,034,131
Contributions in relation to the contractually required contribution	1,055,472	1,034,131
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	6,701,410	6,565,911
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 statement.

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.

WILKINSON COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

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

SUPPLEMENTARY INFORMATION

Wilkinson County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 315,739
National School Lunch Program	10.555	603,972
Summer Food Service Program for Children	10.559	14,012
Total Child Nutrition Cluster		<u>933,723</u>
Total passed-through Mississippi Department of Education		<u>933,723</u>
Passed-through Wilkinson County Board of Supervisors:		
Schools and Roads - Grants to States	10.665	85,072
Total passed-through Wilkinson County Board of Supervisors		<u>85,072</u>
Total U. S. Department of Agriculture		<u>1,018,795</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	53,953
Total U.S. Department of Defense		<u>53,953</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	772,042
Career and Technical Education - Basic Grant to States	84.048	18,373
Rural Education	84.358	34,840
Supporting Effective Instruction State Grant	84.367	134,329
Subtotal		<u>959,584</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	310,695
Special Education - Preschool Grants	84.173	5,932
Total Special Education Cluster		<u>316,627</u>
Total passed-through the Mississippi Department of Education		<u>1,276,211</u>
Total U. S. Department of Education		<u>1,276,211</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 2,348,959</u>

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

Wilkinson County School District**Schedule 2**

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	\$ 9,249,483	6,745,865	605,247	620,315	1,278,056
Other	3,218,195	500,531	313,385	89,262	2,315,017
Total	<u>\$ 12,467,678</u>	<u>7,246,396</u>	<u>918,632</u>	<u>709,577</u>	<u>3,593,073</u>
Total number of students *	<u>1,207</u>				
Cost per student	<u>\$ 10,329</u>	<u>6,004</u>	<u>761</u>	<u>588</u>	<u>2,977</u>

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

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

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

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

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

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

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

Wilkinson County School District

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

(1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$43,955 are included in the National School Lunch Program.

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

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

OTHER INFORMATION

WILKINSON COUNTY SCHOOL DISTRICT**"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,027,973	1,949,022	1,691,042	2,071,866
State sources	5,834,688	5,803,028	5,514,691	5,755,610
Federal sources	139,025	91,533	300,649	194,088
Sixteenth section sources	657,070	524,829	-	-
Total Revenues	8,658,756	8,368,412	7,506,382	8,021,564
Expenditures:				
Instruction	4,806,849	4,599,570	4,613,536	5,042,570
Support services	3,449,584	3,417,014	3,678,748	3,343,650
Noninstructional services	130,137	104,072	118,107	90,506
Sixteenth section	4,764	2,791	-	-
Debt service:				
Principal	-	-	13,003	14,827
Interest	1,300	1,950	500	500
Other	70	-	-	-
Total Expenditures	8,392,704	8,125,397	8,423,894	8,492,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	266,052	243,015	(917,512)	(470,489)
Other Financing Sources (Uses):				
Bonds and notes issued	195,048	-	-	-
Insurance recovery	-	-	-	38,986
Sale of transportation equipment	-	-	-	900
Operating transfers in	62,911	39,992	1,642,484	1,129,161
Payment to QZAB/QSCB debt escrow agent	-	-	(144,000)	(60,000)
Operating transfers out	(621,207)	(562,425)	(571,396)	(650,369)
Other financing uses	-	-	-	-
Total Other Financing Sources (Uses)	(363,248)	(522,433)	927,088	458,678
Net Change in Fund Balances	(97,196)	(279,418)	9,576	(11,811)
Fund Balances:				
July 1, Beginning, as previously reported	6,612,604	732,411	669,177	634,154
Fund reclassification	-	6,205,635	-	-
Prior period adjustment	-	(46,024)	53,658	46,834
July 1, Beginning, as restated	6,612,604	6,892,022	722,835	680,988
June 30,	\$ 6,515,408	6,612,604	732,411	669,177

*SOURCE - PRIOR YEAR AUDIT REPORTS

WILKINSON COUNTY SCHOOL DISTRICT**"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,482,798	2,513,472	2,213,173	2,470,895
State sources	6,420,215	6,385,886	6,137,822	6,386,186
Federal sources	2,371,915	2,401,299	2,926,795	3,070,158
Sixteenth section sources	794,216	1,018,609	1,214,463	1,295,840
Total Revenues	<u>12,069,144</u>	<u>12,319,266</u>	<u>12,492,253</u>	<u>13,223,079</u>
Expenditures:				
Instruction	5,726,323	5,528,952	5,622,509	6,543,483
Support services	5,200,859	4,892,041	5,444,376	5,544,406
Noninstructional services	1,098,612	1,071,078	1,155,437	1,063,758
Sixteenth section	49,226	83,657	41,361	82,473
Facilities acquisition and construction	-	2,630	-	98,312
Debt service:				
Principal	330,946	1,822,859	390,990	357,307
Interest	59,236	43,590	61,360	65,233
Other	2,476	12,838	3,050	3,050
Total Expenditures	<u>12,467,678</u>	<u>13,457,645</u>	<u>12,719,083</u>	<u>13,758,022</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(398,534)</u>	<u>(1,138,379)</u>	<u>(226,830)</u>	<u>(534,943)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	195,048	650,000	-	-
Insurance recovery	-	-	-	38,986
Sale of transportation equipment	-	-	-	900
Payments held by QZAB/QSCB escrow agent	154,000	225,473	272,020	188,020
Payments to QZAB/QSCB debt escrow agent	(154,000)	(225,473)	(272,020)	(188,020)
Operating transfers in	804,851	742,519	2,494,909	1,861,897
Other financing sources	-	650	1,800	1,300
Operating transfers out	(804,851)	(742,519)	(2,494,909)	(1,861,897)
Other financing uses	-	(650)	(1,300)	(1,300)
Total Other Financing Sources (Uses)	<u>195,048</u>	<u>650,000</u>	<u>500</u>	<u>39,886</u>
Net Change in Fund Balances	<u>(203,486)</u>	<u>(488,379)</u>	<u>(226,330)</u>	<u>(495,057)</u>
Fund Balances:				
July 1, Beginning, as previously reported	10,840,454	11,332,402	11,495,127	11,951,122
Prior period adjustment	-	-	54,988	38,301
July 1, Beginning, as restated	<u>10,840,454</u>	<u>11,332,402</u>	<u>11,550,115</u>	<u>11,989,423</u>
Increase (Decrease) in inventory	<u>(2,955)</u>	<u>(3,569)</u>	<u>8,617</u>	<u>761</u>
June 30,	<u>\$ 10,634,013</u>	<u>10,840,454</u>	<u>11,332,402</u>	<u>11,495,127</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County 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 Wilkinson County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Wilkinson County School District's basic financial statements, and have issued our report thereon dated February 8, 2017.

Internal Control Over Financial Reporting

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

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

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

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 8, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Wilkinson County School District's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Wilkinson County 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 the Wilkinson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wilkinson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2016-001 that we consider to be a significant deficiency.

Wilkinson County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Wilkinson County 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 8, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2016, which collectively comprise the Wilkinson County School District's basic financial statements and have issued our report thereon dated February 8, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 8, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Wilkinson County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? 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 2 CFR 200.516(a)? Yes.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to the federal awards.

U.S Department of Education

Passed through the Mississippi Department of Education

Program Name: Child nutrition Cluster

CFDA #10.553, 10.555 and 10.559

Finding: 2016-001

Significant Deficiency

ReportingCriteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

Claims for reimbursement are not being submitted in a timely fashion.

Context:

Four claims for reimbursement out of ten months were submitted after the required date.

Effect:

Lack of adequate controls concerning the inaccurate submission of the “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports could result in the district not receiving the correct amount of federal reimbursement to cover the expenditures of the program.

Identification of a report finding:

This is a repeat finding from the immediate previous audit, 2015-001.

Whether sampling was statically valid:

No.

Cause:

Personnel were unable to prepare the information being prepared for submission by the 10th of the each month for the previous month.

Recommendation:

Procedures should be established and/or training be provided to facilitate the information being prepared for submission within the required time from which is by the 10th of each month for the previous month.

View of responsible officials:

The Board of Education agrees with this finding.

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

Wilkinson County School District

Kimberly M. Jackson, Superintendent

Post Office Box 785 § Woodville, MS 39669

Phone (601) 888-3582 § Fax (601) 888-3133

AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2016-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Angela Perry Title: Food Service Supervisor Phone Number: (601) 888-3483</p> <p>b. Corrective Action Planned:</p> <p>Monthly claims will be submitted by the 10th of each month.</p> <p>c. Anticipated Completion Date:</p> <p>6/30/2017</p>

Wilkinson County School District

Kimberly M. Jackson, Superintendent

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Phone (601) 888-3582 § Fax (601) 888-3133

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Wilkinson County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2016:

Finding

Status

2015-001

Not Corrected (Repeat – See Finding 2016-001)