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Starkville School District

Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

**Starkville School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Starkville School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

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 and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District Contributions on pages 8 to 19 and 64 to 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starkville School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 11, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The following discussion and analysis of Starkville School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$47,582,296, including a prior period adjustment of (\$49,072,370), which represents a 340% decrease from fiscal year 2014. Total net position for 2014 increased \$946,145, including a prior period adjustment of \$831,174, which represents a 7% increase from fiscal year 2013.
- General revenues amounted to \$35,776,927 and \$34,512,937, or 78% and 77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,379,798, or 22% of total revenues for 2015 and \$10,267,697, or 23% of total revenues for 2014.
- The District had \$44,666,651 and \$44,665,663 in expenses for fiscal years 2015 and 2014; only \$10,379,798 for 2015 and \$10,267,697 for 2014 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$35,776,927 for 2015 and \$34,512,937 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$32,647,438 in revenues and \$33,513,180 in expenditures for 2015 and \$31,291,057 in revenues and \$33,603,962 in expenditures for 2014. The General Fund's fund balance increased by \$118,630, including a prior period adjustment of \$636,569, from 2013 to 2014 and decreased by \$321,193, including a prior period adjustment of \$530,371, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$1,598,591, including a prior period adjustment of (\$41,913), for 2015 and increased by \$246,068, including a prior period adjustment of \$519,897, for 2014. The increase for 2015 was due to additions to construction in progress, mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation and the effects of the prior period adjustments.
- Long-term debt decreased by \$2,861,919 for 2014 and increased by \$5,815,872 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. In addition, the liability for compensated absences increased by \$25,421 for 2015 and increased by \$1,575 for 2014.

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

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the difference between the two 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

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 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. Additionally, the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District's Contributions are included in this section.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$33,606,887 as of June 30, 2015.

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 1
Condensed Statement of Net position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 9,242,026	10,645,331	(13)%
Restricted assets	3,017,090	4,558,675	(34)%
Capital assets, net	<u>36,673,187</u>	<u>35,074,596</u>	5%
Total assets	<u>48,932,303</u>	<u>50,278,602</u>	(3)%
Deferred outflows of resources	<u>4,980,672</u>		
Current liabilities	2,577,366	2,784,099	(7)%
Long-term debt outstanding	30,682,596	33,519,094	(8)%
Net pension liability	<u>47,390,324</u>		
Total liabilities	<u>80,650,286</u>	<u>36,303,193</u>	122%
Deferred inflows of resources	<u>6,869,576</u>		
Net position:			
Net investment in capital assets	7,418,970	4,448,948	67%
Restricted	7,776,960	9,196,364	(15)%
Unrestricted	<u>(48,802,817)</u>	<u>330,097</u>	(14884)%
Total net position (deficit)	<u>\$ (33,606,887)</u>	<u>13,975,409</u>	(340)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (48,802,817)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No. 68 and 71	<u>49,279,228</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 476,411</u>

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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

- Increase in net capital assets in the amount of \$1,598,591.
- The principal retirement of \$2,861,919 of long-term debt.
- The recognition of Net Pension Liability in the amount of \$47,390,324 as a result of GASB Statement No. 68 and 71.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$46,156,725 and \$44,780,634, respectively. The total cost of all programs and services was \$44,666,651 for 2015 and \$44,665,663 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

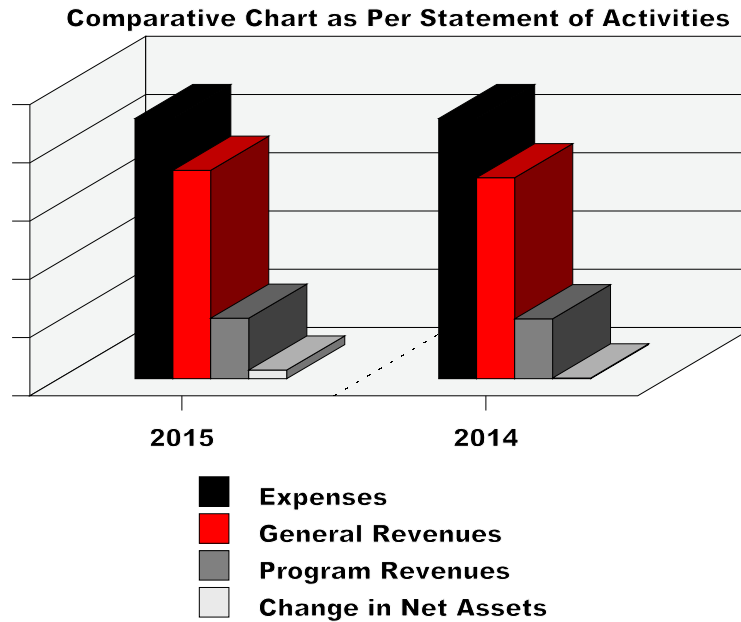
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,222,354	2,146,425	4%
Operating grants and contributions	7,908,271	7,946,997	0%
Capital grants and contributions	249,173	174,275	43%
General revenues:			
Property taxes	17,337,488	16,181,922	7%
Grants and contributions not restricted	18,245,852	18,113,326	1%
Investment earnings	18,078	12,893	40%
Sixteenth section sources	43,776	102,168	(57)%
Other	131,733	102,628	28%
Total revenues	<u>46,156,725</u>	<u>44,780,634</u>	3%
Expenses:			
Instruction	21,847,677	24,497,407	(11)%
Support services	14,741,198	15,077,074	(2)%
Non-instructional	3,749,861	4,101,160	(9)%
Sixteenth section	10,985	8,253	33%
Pension expense	3,355,020		
Interest on long-term liabilities	961,910	981,769	(2)%
Total expenses	<u>44,666,651</u>	<u>44,665,663</u>	0%
Increase (Decrease) in net position	<u>1,490,074</u>	<u>114,971</u>	1196%
Net position, July 1, as previously reported	13,975,409	13,029,264	7%
Prior Period Adjustment	<u>(49,072,370)</u>	<u>831,174</u>	(6004)%
Net position (Deficit), July 1, as restated	<u>(35,096,961)</u>	<u>13,860,438</u>	(353)%
Net position (Deficit), June 30	<u>\$ (33,606,887)</u>	<u>13,975,409</u>	(340)%

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015



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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 3
Net Cost of Governmental Activities

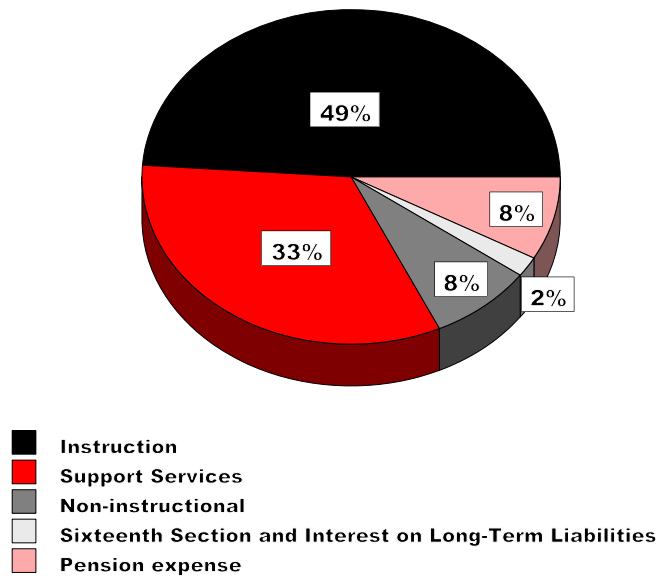
	<u>Total Expenses</u>		Percentage Change
	2015	2014	
Instruction	\$ 21,847,677	24,497,407	(11)%
Support services	14,741,198	15,077,074	(2)%
Non-instructional	3,749,861	4,101,160	(9)%
Sixteenth section	10,985	8,253	33%
Pension expense	3,355,020		
Interest on long-term liabilities	961,910	981,769	(2)%
Total expenses	\$ 44,666,651	44,665,663	0%

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Net (Expense) Revenue

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Instruction	\$ (17,345,376)	(20,162,903)	(14)%
Support services	(13,243,131)	(13,774,073)	(4)%
Non-instructional	624,144	521,433	20%
Sixteenth section	(5,560)	(654)	750%
Pension expense	(3,355,020)		
Interest on long-term liabilities	(961,910)	(981,769)	(2)%
Total net (expense) revenue	<u>\$ (34,286,853)</u>	<u>(34,397,966)</u>	<u>0%</u>

Chart of Expenses as Per Statement of Activities



- Net cost of governmental activities (\$34,286,853 for 2015 and \$34,397,966 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$17,337,488 for 2015 and \$16,181,922 for 2014) and state and federal revenues (\$18,245,852 for 2015 and \$18,113,326 for 2014). In addition, there was \$43,776 and \$102,168 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$18,078 for 2015 and \$12,893 for 2014.

Starkville School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 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 \$9,941,797, a decrease of \$2,719,509, which includes a prior period adjustment of \$730,774 and a decrease in inventory of \$7,613. \$596,808, or 6% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$9,344,989, or 94% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$118,630, which includes a prior period adjustment of \$636,569. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,145,262, which includes a prior period adjustment of \$94,655. The increase (decrease) in the fund balance for the other major funds was as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ 2,363
Limited Tax Note 2013/2014 Fund	\$ (1,695,240)

BUDGETARY HIGHLIGHTS

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

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

Starkville School District
Management's Discussion and Analysis
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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$55,268,440, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,699,429 from 2014. Total accumulated depreciation as of June 30, 2015, was \$18,595,253 and total depreciation expense for the year was \$1,342,029, resulting in total net capital assets of \$36,673,187.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 187,470	187,470	0%
Construction in progress	1,225,699	540,488	127%
Buildings	29,110,421	29,907,836	(3)%
Building improvements	1,896,836	1,399,841	36%
Improvements other than buildings	2,640,668	1,294,888	104%
Mobile equipment	685,359	796,253	(14)%
Furniture and equipment	350,684	206,684	70%
Leased property under capital leases	576,050	741,136	(22)%
Total	\$ <u>36,673,187</u>	<u>35,074,596</u>	5%

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

Debt Administration. At June 30, 2015, the District had \$30,682,596 in outstanding long-term debt, of which \$3,350,147 is due within one year. The liability for compensated absences increased \$25,421 from the prior year.

Starkville School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 18,685,000	20,770,000	(10)%
Limited obligation bonds payable	540,000	715,000	(24)%
Three mill notes payable	4,735,000	5,200,000	(9)%
Obligations under capital leases	549,531	686,450	(20)%
Qualified school construction bonds payable	5,780,000	5,780,000	0%
Compensated absences payable	393,065	367,644	7%
Total	<u>\$ 30,682,596</u>	<u>33,519,094</u>	(8)%

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

CURRENT ISSUES

The Starkville School District is financially stable. The District is proud of its community support of its public schools.

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

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

Enrollment for the 2014-2015 school year decreased by 6% to 4,009 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

STARKVILLE SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,300,892
Due from other governments	1,883,806
Inventories	57,328
Restricted assets	3,017,090
Capital assets, non-depreciable:	
Land	187,470
Construction in progress	1,225,699
Capital assets, net of accumulated depreciation:	
Buildings	29,110,421
Building improvements	1,896,836
Improvements other than buildings	2,640,668
Mobile equipment	685,359
Furniture and equipment	350,684
Leased property under capital leases	576,050
Total Assets	<u>48,932,303</u>
Deferred Outflows of Resources	
Pension related	4,980,672
Total Deferred Outflows of Resources	<u>4,980,672</u>
Liabilities	
Accounts payable and accrued liabilities	2,255,385
Unearned revenue	61,934
Interest payable on long-term liabilities	260,047
Long-term liabilities (due within one year):	
Capital related liabilities	3,330,494
Non-capital related liabilities	19,653
Long-term liabilities (due beyond one year):	
Capital related liabilities	26,959,037
Non-capital related liabilities	373,412
Net pension liability	47,390,324
Total Liabilities	<u>80,650,286</u>
Deferred Inflows of Resources	
Pension related	6,869,576
Total Deferred Inflows of Resources	<u>6,869,576</u>
Net Position:	
Net Investment in Capital Assets	7,418,970
Restricted For:	
Expendable:	
School-based activities	2,296,165
Debt service	1,978,701
Capital projects	3,336,249
Unemployment benefits	79,232
Forestry improvements	80,347
Permanent fund principal	6,266
Unrestricted	(48,802,817)
Total Net Position (Deficit)	<u>\$ (33,606,887)</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					Governmental Activities
<i>Instruction</i>	21,847,677	1,736,195	2,749,903	16,203	(17,345,376)
<i>Support services</i>	14,741,198	--	1,493,046	5,021	(13,243,131)
<i>Noninstructional services</i>	3,749,861	480,734	3,665,322	227,949	624,144
<i>Sixteenth section</i>	10,985	5,425	--	--	(5,560)
<i>Pension expense</i>	3,355,020	--	--	--	(3,355,020)
<i>Interest on long-term liabilities</i>	961,910	--	--	--	(961,910)
Total Governmental Activities	<u>\$ 44,666,651</u>	<u>\$ 2,222,354</u>	<u>\$ 7,908,271</u>	<u>\$ 249,173</u>	<u>(34,286,853)</u>
General Revenues:					
Taxes:					
					13,713,354
					3,624,134
<i>Unrestricted grants and contributions:</i>					
					18,022,909
					222,943
					18,078
					43,776
					131,733
Total General Revenues					<u>35,776,927</u>
Change in Net Position					<u>1,490,074</u>
Net Position - Beginning, as previously reported					13,975,409
Prior Period Adjustment					<u>(49,072,370)</u>
Net Position (Deficit) - Beginning, as restated					<u>(35,096,961)</u>
Net Position (Deficit) - Ending					<u>\$ (33,606,887)</u>

The accompanying notes are an integral part of this statement.

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STARKVILLE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2015

	<u>General Fund</u>	<u>School Food Service Fund</u>
Assets		
<i>Cash and cash equivalents</i>	\$ 895,562	\$ 1,515,747
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	618,537	--
<i>Due from other funds</i>	1,319,033	80,000
<i>Inventories</i>	--	57,328
Total Assets	<u>\$ 2,833,132</u>	<u>\$ 1,653,075</u>
Liabilities and Fund Balances		
Liabilities		
<i>Accounts payable and accrued liabilities</i>	\$ 1,963,656	\$ 24,304
<i>Due to other funds</i>	--	250,000
<i>Unearned revenue</i>	--	--
Total Liabilities	<u>1,963,656</u>	<u>274,304</u>
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Inventory	--	57,328
Restricted:		
Debt service	--	--
Capital projects	--	--
Forestry improvement purposes	--	--
Grant activities	--	--
Unemployment benefits	--	--
Food service	--	1,321,443
Assigned:		
Activity funds	272,668	--
Unassigned	596,808	--
Total Fund Balances	<u>869,476</u>	<u>1,378,771</u>
Total Liabilities and Fund Balances	<u>\$ 2,833,132</u>	<u>\$ 1,653,075</u>

The accompanying notes are an integral part of this statement.

Limited Tax Note 2013/2014 Issue Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,946,720	\$ 3,888,648	\$ 9,246,677
--	4,532	4,532
--	1,066,773	1,066,773
--	914,863	1,533,400
--	--	1,399,033
--	--	57,328
<u>\$ 2,946,720</u>	<u>\$ 5,874,816</u>	<u>\$ 13,307,743</u>
\$ --	\$ 267,425	\$ 2,255,385
--	798,627	1,048,627
--	61,934	61,934
<u>--</u>	<u>1,127,986</u>	<u>3,365,946</u>
--	6,266	6,266
--	--	57,328
--	2,238,748	2,238,748
2,946,720	1,424,843	4,371,563
--	80,347	80,347
--	877,352	877,352
--	79,232	79,232
--	40,042	1,361,485
--	--	272,668
--	--	596,808
<u>2,946,720</u>	<u>4,746,830</u>	<u>9,941,797</u>
<u>\$ 2,946,720</u>	<u>\$ 5,874,816</u>	<u>\$ 13,307,743</u>

STARKVILLE SCHOOL DISTRICT*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET POSITION**JUNE 30, 2015*

Total fund balances for governmental funds	\$ 9,941,797
--	--------------

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

Capital assets used in governmental activities are not reported in the funds.	36,673,187
Liabilities due in one year are not recognized in the funds.	(3,350,147)
Payables for bond principal which are not due in the current period are not reported in the funds.	(22,385,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(409,037)
Payables for bond interest which are not due in the current period are not reported in the funds.	(260,047)
Payables for notes which are not due in the current period are not reported in the funds.	(4,165,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(373,412)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(47,390,324)
Deferred Inflow of Resources related to PERS are not reported in the funds.	(6,869,576)
Deferred Outflow of Resources related to PERS are not reported in the funds.	<u>4,980,672</u>

Net position of governmental activities	\$ <u>(33,606,887)</u>
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The accompanying notes are an integral part of this statement.

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STARKVILLE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	School Food Service Fund
Revenues:		
Local sources	\$ 14,413,675	\$ 480,638
Intermediate sources	13,029	--
State sources	17,893,715	27,451
Federal sources	281,408	2,145,393
Sixteenth section sources	45,611	--
Total Revenues	<u>32,647,438</u>	<u>2,653,482</u>
Expenditures:		
Instruction	20,550,127	--
Support services	12,896,515	208,087
Noninstructional services	912	2,197,372
Sixteenth section	--	--
Facilities acquisition and construction	8,100	--
Debt service:		
Principal	28,600	--
Interest	28,926	--
Other	--	--
Total Expenditures	<u>33,513,180</u>	<u>2,405,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(865,742)	248,023
Other Financing Sources (Uses):		
Insurance recovery	177,312	--
Sale of transportation equipment	9,051	--
Transfers in	408,364	29
Payments held by escrow agents	--	--
Other financing sources	--	12,374
Transfers out	(246,924)	(250,000)
Other financing uses	--	--
Total Other Financing Sources (Uses)	<u>347,803</u>	<u>(237,597)</u>
Net Change in Fund Balances	(517,939)	10,426
Fund Balances:		
July 1, 2014, as previously reported	750,846	1,376,408
Prior period adjustments	636,569	(450)
July 1, 2014, as restated	<u>1,387,415</u>	<u>1,375,958</u>
Increase (decrease) in inventory	--	(7,613)
June 30, 2015	<u>\$ 869,476</u>	<u>\$ 1,378,771</u>

The accompanying notes are an integral part of this statement.

Limited Tax Note 2013/2014 Issue Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,477	\$ 4,849,018	\$ 19,744,808
--	69,063	82,092
--	1,303,707	19,224,873
--	4,607,525	7,034,326
--	3,590	49,201
<u>1,477</u>	<u>10,832,903</u>	<u>46,135,300</u>
--	3,652,768	24,202,895
187,727	1,549,571	14,841,900
--	1,724,055	3,922,339
--	10,985	10,985
1,508,990	1,476,317	2,993,407
--	2,833,319	2,861,919
--	901,413	930,339
--	12,923	12,923
<u>1,696,717</u>	<u>12,161,351</u>	<u>49,776,707</u>
(1,695,240)	(1,328,448)	(3,641,407)
--	--	177,312
--	--	9,051
--	850,457	1,258,850
--	314,285	314,285
--	--	12,374
--	(761,926)	(1,258,850)
--	(314,285)	(314,285)
<u>--</u>	<u>88,531</u>	<u>198,737</u>
(1,695,240)	(1,239,917)	(3,442,670)
4,641,960	5,892,092	12,661,306
--	94,655	730,774
<u>4,641,960</u>	<u>5,986,747</u>	<u>13,392,080</u>
--	--	(7,613)
<u>\$ 2,946,720</u>	<u>\$ 4,746,830</u>	<u>\$ 9,941,797</u>

STARKVILLE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$ (3,442,670)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,053,744
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,342,029)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(71,211)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(3,355,020)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,260,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	136,919
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	465,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(18,648)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	(7,613)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(25,421)
Pension contributions made after the measurement date.	<u>3,837,023</u>
Change in net position of governmental activities	<u>\$ 1,490,074</u>

The accompanying notes are an integral part of this statement.

STARKVILLE SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2015

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 448,012
Total Assets	<u>\$ 448,012</u>
Liabilities	
<i>Due to other funds</i>	\$ 350,406
<i>Other payables</i>	97,606
Total Liabilities	<u>\$ 448,012</u>

The accompanying notes are an integral part of this statement.

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Starkville 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Food Service Fund.

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

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

The District's fiduciary funds include the following:

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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.

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

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

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

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

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

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

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

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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."

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

7. Deferred outflows/inflows of resources

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

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

See Note 16 for further details.

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

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

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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

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

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

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

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 8% of 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.

12. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United 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

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or close-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,246,677 and \$448,012, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. 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, 2015, none of the district's bank balance of \$12,004,605 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 \$4,532.

Investments

As of June 30, 2015, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (In years)</u>	<u>Fair Value</u>
United States Treasury	AA+	1 to 5	\$ <u>1,066,773</u>

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.

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

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

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

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 250,000
	Other Governmental Funds	718,627
	Fiduciary Funds	350,406
School Food Service Fund	Other Governmental Funds	80,000
Total		<u>\$ 1,399,033</u>

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

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 250,000
	Other Governmental Funds	158,364
School Food Service Fund	Other Governmental Funds	29
Other Governmental Funds	Other Governmental Funds	603,533
	General Fund	246,924
Total		<u>\$ 1,258,850</u>

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$6,266, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance totaling \$904,205, of the 2007 Bond Issue Debt Service Fund.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$4,532, of the MAEP Retirement Fund.

In addition, the restricted assets represent the cash balance totaling \$1,035,314, of the QSCB 2009 Bond Fund.

In addition, the restricted assets represent the investment balance totaling \$1,066,773, of the QSCB Retirement Fund.

Note 5 - Capital Assets

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

	Balance 7-1-2014	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>						
Land	\$ 187,470					187,470
Construction in progress	540,488	2,993,407		(2,308,196)		1,225,699
Total non-depreciable capital assets	727,958	2,993,407	0	(2,308,196)	0	1,413,169
<u>Depreciable capital assets:</u>						
Buildings	42,170,051					42,170,051
Building improvements	1,893,696			584,821		2,478,517
Improvements other than buildings	2,492,114			1,505,692		3,997,806
Mobile equipment	3,097,543	41,858	225,916			2,913,485
Furniture and equipment	1,304,472	18,479	40,981	217,683	6,650	1,506,303
Leased property under capital leases	883,177		94,068			789,109
Total depreciable capital assets	51,841,053	60,337	360,965	2,308,196	6,650	53,855,271
<u>Less accumulated depreciation for:</u>						
Buildings	12,262,215	797,415				13,059,630
Building improvements	493,855	87,826				581,681
Improvements other than buildings	1,197,226	159,912				1,357,138
Mobile equipment	2,301,290	130,161	203,325			2,228,126
Furniture and equipment	1,097,788	95,695	38,804		940	1,155,619
Leased property under capital leases	142,041	71,020	47,625		47,623	213,059
Total accumulated depreciation	17,494,415	1,342,029	289,754	0	48,563	18,595,253
Total depreciable capital assets, net	34,346,638	(1,281,692)	71,211	2,308,196	(41,913)	35,260,018
Governmental activities capital assets, net	\$ 35,074,596	1,711,715	71,211	0	(41,913)	36,673,187

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instructional	\$ 72,163
Support services	1,245,248
Non-instructional	24,618
Total depreciation expense	<u>\$ 1,342,029</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2015</u>	<u>Remaining Commitment</u>
Cafeteria Addition and Gym Window Replacement - SHS and Gym Window Replacement - Armstrong	\$ 778,207	38,429
Cafeteria Modifications - SHS	96,037	87,259
Millsaps Career Center Roofing	275,093	284,507
Sudduth Tile Flooring	76,362	4,500
Total	<u>\$ 1,225,699</u>	<u>414,695</u>

Construction projects included in governmental activities are funded by the QSCB 2009 Bond Fund.

Note 6 - Long-Term Liabilities

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

	<u>Balance 7-1-2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2015</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 20,770,000		2,085,000	18,685,000	2,445,000
B. Limited obligation bonds payable	715,000		175,000	540,000	175,000
C. Three mills note payable	5,200,000		465,000	4,735,000	570,000
D. Obligations under capital leases	686,450		136,919	549,531	140,494
E. Qualified school construction bonds payable	5,780,000			5,780,000	
F. Compensated absences payable	367,644	25,421		393,065	19,653
Total	<u>\$ 33,519,094</u>	<u>25,421</u>	<u>2,861,919</u>	<u>30,682,596</u>	<u>3,350,147</u>

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

A. General obligations bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
GOB, Series 2003	2.89%	06-25-03	12-01-15	\$ 7,470,000	920,000
GOB, Series 2007	3.60%	12-21-07	03-01-20	5,000,000	3,200,000
GOB, Series 2008	5.00%	10-15-08	09-01-23	9,925,000	7,425,000
GOB, Series 2009	3.75%	10-22-09	09-01-24	8,575,000	7,140,000
Total				\$ <u>30,970,000</u>	<u>18,685,000</u>

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

1. General obligation bond issue of June 25, 2003:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ <u>920,000</u>	<u>15,180</u>	<u>935,180</u>

This debt will be retired from the Bond Issue Debt Service Fund (#4031).

2. General obligation bond issue of December 21, 2007:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 500,000	115,200	615,200
2017	525,000	97,200	622,200
2018	625,000	78,300	703,300
2019	800,000	55,800	855,800
2020	<u>750,000</u>	<u>27,000</u>	<u>777,000</u>
Total	\$ <u>3,200,000</u>	<u>373,500</u>	<u>3,573,500</u>

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

3. General obligation bond issue of October 15, 2008:

Year Ending June 30		Principal	Interest	Total
2016	\$	675,000	268,781	943,781
2017		650,000	235,656	885,656
2018		675,000	204,641	879,641
2019		675,000	178,063	853,063
2020		675,000	155,313	830,313
2021 - 2024		<u>4,075,000</u>	<u>318,062</u>	<u>4,393,062</u>
Total	\$	<u><u>7,425,000</u></u>	<u><u>1,360,516</u></u>	<u><u>8,785,516</u></u>

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

4. General obligation bond issue of October 22, 2009:

Year Ending June 30		Principal	Interest	Total
2016	\$	350,000	234,713	584,713
2017		350,000	222,681	572,681
2018		400,000	210,276	610,276
2019		425,000	197,400	622,400
2020		425,000	184,650	609,650
2021 -2025		<u>5,190,000</u>	<u>514,394</u>	<u>5,704,394</u>
Total	\$	<u><u>7,140,000</u></u>	<u><u>1,564,114</u></u>	<u><u>8,704,114</u></u>

This debt will be retired from the Debt Service Fund.

Total general obligations bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2016	\$	2,445,000	633,874	3,078,874
2017		1,525,000	555,537	2,080,537
2018		1,700,000	493,217	2,193,217
2019		1,900,000	431,263	2,331,263
2020		1,850,000	366,963	2,216,963
2021 - 2025		<u>9,265,000</u>	<u>832,456</u>	<u>10,097,456</u>
Total	\$	<u><u>18,685,000</u></u>	<u><u>3,313,310</u></u>	<u><u>21,998,310</u></u>

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 7% of property assessments as of October 1, 2014.

B. Limited obligations bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2009	4.8%	10-22-09	02-01-18	\$ <u>1,460,000</u>	<u>540,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 175,000	15,587	190,587
2017	180,000	10,950	190,950
2018	<u>185,000</u>	<u>5,550</u>	<u>190,550</u>
Total	\$ <u>540,000</u>	<u>32,087</u>	<u>572,087</u>

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

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Note - Series 2014	2.49%	03-12-14	03-01-29	\$ <u>5,200,000</u>	<u>4,735,000</u>

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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

Year Ending June 30		Principal	Interest	Total
2016	\$	570,000	117,901	687,901
2017		590,000	103,709	693,709
2018		610,000	89,017	699,017
2019		635,000	73,829	708,829
2020		585,000	58,017	643,017
2021 - 2025		1,170,000	146,661	1,316,661
2026 - 2029		575,000	46,065	621,065
Total	\$	<u>4,735,000</u>	<u>635,199</u>	<u>5,370,199</u>

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

D. Obligations under capital leases

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Equipment Lease - 2006	4.28%	09-01-06	06-01-16	\$ 243,583	29,037
2. Buses lease - 2012	2.12%	08-12-12	12-03-19	789,109	520,494
Total				<u>\$ 1,032,692</u>	<u>549,531</u>

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

1. Equipment Lease - 2006:

Year Ending June 30		Principal	Interest	Total
2016	\$	<u>29,037</u>	<u>780</u>	<u>29,817</u>

This debt will be retired from the District Maintenance Fund.

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

2. Buses Lease - 2012:

Year Ending June 30		Principal	Interest	Total
2016	\$	111,457	10,449	121,906
2017		113,832	8,074	121,906
2018		116,258	5,648	121,906
2019		118,736	3,170	121,906
2020		60,211	639	60,850
Total	\$	<u>520,494</u>	<u>27,980</u>	<u>548,474</u>

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

Total obligations under capital leases:

Year Ending June 30		Principal	Interest	Total
2016	\$	140,494	11,229	151,723
2017		113,832	8,074	121,906
2018		116,258	5,648	121,906
2019		118,736	3,170	121,906
2020		60,211	639	60,850
Total	\$	<u>549,531</u>	<u>28,760</u>	<u>578,291</u>

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

E. Qualified school construction bonds payable

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

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

F. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease for three hundred and nine Lenovo Thinkpad Notebook computers at a total cost of \$383,475 with 0% interest, payable over 3 years.

Lease expenditures for the year ended June 30, 2015, amounted to \$212,478. The school district made their final lease payment as of June 30, 2015.

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

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$3,837,023, \$3,757,464, and \$3,366,413, 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, 2015, the school district reported a liability of \$47,390,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, The school district's proportion was 0.390424 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$3,355,020. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,143,649	\$
Net difference between projected and actual earnings on pension plan investments		6,869,576
District contributions subsequent to the measurement date	3,837,023	
Total	<u>\$ 4,980,672</u>	<u>\$ 6,869,576</u>

\$3,837,023 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,306,010)
2017	(1,306,010)
2018	(1,396,513)
2019	(1,717,394)
Total	<u>\$ (5,725,927)</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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 8.00 percent. 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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 64,607,145	\$ 47,390,325	\$ 33,028,937

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 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

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 2,550
2017	2,550
2018	2,550
2019	1,450
2020	1,450
2021 - 2025	7,250
2026 - 2029	5,800
Total	<u>\$ 23,600</u>

Note 10 - Contingencies

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

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

Note 11 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Board Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers'

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 - Qualified School Construction Bonds

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

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credits is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$1,066,773. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedules report the annual deposits to be made to the sinking fund by the school district.

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

1. Qualified school construction bonds - 2009:

Year Ending June 30	Amount
2016	\$ 214,286
2017	214,286
2018	214,286
2019	214,286
2020	214,286
2021 - 2025	<u>1,071,430</u>
Total	<u>\$ 2,142,860</u>

2. Qualified school construction bonds - 2014:

Year Ending June 30	Amount
2016	\$ 125,000
2017	125,000
2018	125,000
2019	125,000
2020	125,000
2021 - 2025	905,000
2026 - 2028	<u>1,050,000</u>
Total	<u>\$ 2,580,000</u>

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Total payment for all issues:

Year Ending June 30	Amount
2016	\$ 339,286
2017	339,286
2018	339,286
2019	339,286
2020	339,286
2021 - 2025	1,976,430
2026 - 2028	1,050,000
Total	<u>\$ 4,722,860</u>

Note 13 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability	(53,518,695)
Deferred outflows - contributions made during FY 2014	<u>3,757,464</u>
Total prior period adjustment related to GASB 68 and 71	(49,761,231)
2. Adjustments were made to properly present capital assets.	(41,913)
3. See explanation below	<u>730,774</u>
Total	<u>\$ (49,072,370)</u>

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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

Fund	Explanation		Amount
General Fund	To eliminate old due to/from funds.	\$	636,569
School Food Service Fund	To eliminate old due to/from funds.		(450)
Other Governmental Funds	To correctly record accrual		52,489
Other Governmental Funds	To record receivable not recorded in prior year		48,566
Other Governmental Funds	To eliminate old due to/from funds.		(6,400)
Total		\$	<u>730,774</u>

Note 14 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated September 2, 1993 creating the Quad County Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Starkville School District and the Oktibbeha County School District.

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

The Starkville School District has been designated as the lead school district for the Quad County Alternative School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to the detail the financial activity of the Quad County Alternative School:

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended on June 30, 2015

Starkville School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Revenues

Local sources:		
Tuition from other LEA's within the state:		
Oktibbeha County School District	\$	107,940
Starkville School District		272,558
Total tuition from other LEA'S within the state		<u>380,498</u>
Interest		24
Donations		927
Total local sources		<u>381,449</u>
Total Revenues		<u>381,449</u>

Expenditures

Salaries		507,475
Employee benefits		165,910
Purchased property services		1,042
Other purchased services		2,522
Supplies		23,973
Property		330
Other		360
Total Expenditures		<u>701,612</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>(320,163)</u>

Other Financing Sources/Uses:

Transfer in		<u>212,203</u>
Total Other Financing Sources/Uses		<u>212,203</u>
Net Change in Fund Balance		<u>(107,960)</u>

Fund Balance:

July 1, 2014, as previously reported		114,388
Prior period adjustments		<u>(6,428)</u>
July 1, 2014, as restated		<u>107,960</u>
June 30, 2015	\$	<u><u>0</u></u>

Starkville School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 15 - Insurance Loss Recoveries

The Starkville School District received \$177,312 in insurance loss recoveries related to storm and vehicle damages during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services and allocated among the expense function.

Note 16 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$48,802,817 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$4,980,672 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$48,802,817 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$6,869,576 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Starkville School District evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

The District was issued a tax and revenue anticipation note in the amount of \$7,297,037, with an interest rate of 1.11% maturing on June 30, 2016.

On July 1, 2015 Oktibbeha County School District was merged with Starkville School District in accordance to the House Bill 716. House Bill 716 provides for an Administrative consolidation of the Oktibbeha County School District and the Starkville School District into one school district to be designated as Starkville Consolidated School District effective July 1, 2015. In this case, Oktibbeha County School District was under conservatorship by the Mississippi Department of Education. Oktibbeha County School District and Starkville School District merged on July 1, 2015. As of the date of July 1, 2015, the Oktibbeha County School District no longer exists. On July 1, 2015, Oktibbeha County School District consolidated with Starkville School District and created one new county wide school district. On July 1, 2015, Starkville-Oktibbeha Consolidated School District was formed and the new county-wide district should complete the requirements of the House Bill 716.

REQUIRED SUPPLEMENTARY INFORMATION

STARKVILLE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2015

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 13,837,785	14,413,677	14,413,675	575,892	(2)
Intermediate sources	6,800	13,030	13,029	6,230	(1)
State sources	18,001,190	17,893,716	17,893,715	(107,474)	(1)
Federal sources	202,000	281,407	281,408	79,407	1
Sixteenth section sources	8,200	45,611	45,611	37,411	-
Total Revenues	<u>32,055,975</u>	<u>32,647,441</u>	<u>32,647,438</u>	<u>591,466</u>	<u>(3)</u>
Expenditures:					
Instruction	20,087,228	20,568,571	20,550,127	(481,343)	18,444
Support services	12,298,714	12,904,618	12,896,515	(605,904)	8,103
Sixteenth section	1,475	912	912	563	-
Facilities acquisition and construction	-	-	8,100	-	(8,100)
Debt service:					
Principal	-	28,600	28,600	(28,600)	-
Interest	-	28,926	28,926	(28,926)	-
Total Expenditures	<u>32,387,417</u>	<u>33,531,627</u>	<u>33,513,180</u>	<u>(1,144,210)</u>	<u>18,447</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(331,442)</u>	<u>(884,186)</u>	<u>(865,742)</u>	<u>(552,744)</u>	<u>18,444</u>
Other Financing Sources (Uses):					
Proceeds of loans	2,000,000	-	-	(2,000,000)	-
Insurance recovery	-	177,312	177,312	177,312	-
Sale of transportation equipment	-	9,051	9,051	9,051	-
Transfers in	1,025,552	1,489,682	408,364	464,130	(1,081,318)
Transfers out	(2,000,000)	(1,242,178)	(246,924)	757,822	995,254
Total Other Financing Sources (Uses)	<u>1,025,552</u>	<u>433,867</u>	<u>347,803</u>	<u>(591,685)</u>	<u>(86,064)</u>
Net Change in Fund Balances	<u>694,110</u>	<u>(450,319)</u>	<u>(517,939)</u>	<u>(1,144,429)</u>	<u>(67,620)</u>
Fund Balances:					
July 1, 2014, as previously reported	766,832	766,831	750,846	(1)	(15,985)
Prior period adjustments	-	550,506	636,569	550,506	86,063
July 1, 2014, as restated	<u>766,832</u>	<u>1,317,337</u>	<u>1,387,415</u>	<u>550,505</u>	<u>70,078</u>
June 30, 2015	<u>\$ 1,460,942</u>	<u>867,018</u>	<u>869,476</u>	<u>(593,924)</u>	<u>2,458</u>

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

STARKVILLE SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 School Lunch Service Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 530,718	480,638	480,638	(50,080)	-
State sources	26,709	27,451	27,451	742	-
Federal sources	2,089,929	2,145,393	2,145,393	55,464	-
Total Revenues	<u>2,647,356</u>	<u>2,653,482</u>	<u>2,653,482</u>	<u>6,126</u>	<u>-</u>
Expenditures:					
Support services	241,553	220,992	208,087	20,561	12,905
Noninstructional services	2,319,589	2,258,281	2,197,372	61,308	60,909
Total Expenditures	<u>2,561,142</u>	<u>2,479,273</u>	<u>2,405,459</u>	<u>81,869</u>	<u>73,814</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>86,214</u>	<u>174,209</u>	<u>248,023</u>	<u>87,995</u>	<u>73,814</u>
Other Financing Sources (Uses):					
Transfers in	-	29	29	29	-
Other financing sources	-	12,374	12,374	12,374	-
Operating transfers out	(80,000)	(250,000)	(250,000)	(170,000)	-
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(237,597)</u>	<u>(237,597)</u>	<u>(157,597)</u>	<u>-</u>
Net Change in Fund Balances	<u>6,214</u>	<u>(63,388)</u>	<u>10,426</u>	<u>(69,602)</u>	<u>73,814</u>
Fund Balances:					
July 1, 2014, as previously reported	1,384,022	1,384,022	1,376,408	-	(7,614)
Prior period adjustments	-	(450)	(450)	(450)	-
July 1, 2014, as restated	<u>1,384,022</u>	<u>1,383,572</u>	<u>1,375,958</u>	<u>(450)</u>	<u>(7,614)</u>
Increase (decrease) in inventory	-	(7,613)	(7,613)	(7,613)	-
June 30, 2015	<u>\$ 1,390,236</u>	<u>1,312,571</u>	<u>1,378,771</u>	<u>(77,665)</u>	<u>66,200</u>

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

Starkville School District

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

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 47,390,324
District's proportionate share of the net pension liability (asset)	0.390424%
District's covered - employee payroll	23,856,914
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.643980%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

* 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.

Starkville School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ <u>3,837,023</u>
Contributions in relation to the contractually required contribution	3,837,023
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	24,362,051
Contributions as a percentage of covered - employee payroll	15.75%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Starkville School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

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

None

SUPPLEMENTARY INFORMATION

Starkville School District
 Schedule of Expenditure of Federal Awards
 For the Year Ended June 30, 2015

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 Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 448,094
National School Lunch Program	10.555	1,716,625
Summer Food Service Program for Children	10.559	76,853
Total Child Nutrition Cluster		<u>2,241,572</u>
Total passed-through Mississippi Department of Education		<u>2,241,572</u>
Total U. S. Department of Agriculture		<u>2,241,572</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Programs	12.xxx	58,464
Total U. S. Department of Defense		<u>58,464</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	52,799
Total Federal Communications Commission		<u>52,799</u>
<u>U. S. Department of Education</u>		
Direct Program:		
Elementary and Secondary School Counseling Programs	84.215E	171,678
Reading to Succeed	84.215G	142,402
Passed-through Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,415,169
Career and Technical Education - Basic Grants to States	84.048	64,959
Education of Homeless Children and Youth	84.196	32,761
Twenty-first Century Community Learning Centers	84.287	441,595
Rural Education	84.358	70,820
Improving Teacher Quality - State Grants	84.367	211,495
Subtotal		<u>2,550,879</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,055,165
Special Education - Preschool Grants	84.173	16,203
Total Special Education Cluster		<u>1,071,368</u>
Total passed-through the Mississippi Department of Education		<u>3,308,167</u>
Total U.S Department of Education		<u>3,622,247</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	797,929
Community-Based Child Abuse Prevention Grants	93.590	94,703
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	26,810
Total passed-through the Mississippi Department of Education		<u>26,810</u>
Total U.S. Department of Health and Human Services		<u>919,442</u>
TOTAL FOR ALL FEDERAL AWARDS	\$	<u>6,894,524</u>

Notes to Schedule

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

Starkville School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 33,729,474	24,880,439	1,045,952	2,185,410	5,617,673
Other	16,047,233	3,591,986	505,813	55,417	11,894,017
Total	\$ <u>49,776,707</u>	<u>28,472,425</u>	<u>1,551,765</u>	<u>2,240,827</u>	<u>17,511,690</u>
Total number of students *	<u>4,009</u>				
Cost per student	\$ <u>12,416</u>	<u>7,102</u>	<u>387</u>	<u>559</u>	<u>4,368</u>

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

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

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

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

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

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

OTHER INFORMATION

STARKVILLE SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 14,413,675	13,230,087	13,019,675	12,964,781
Intermediate sources	13,029	6,833	-	-
State sources	17,893,715	17,786,869	17,099,910	16,670,354
Federal sources	281,408	267,268	355,093	478,494
Sixteenth section sources	45,611	-	-	-
Total Revenues	<u>32,647,438</u>	<u>31,291,057</u>	<u>30,474,678</u>	<u>30,113,629</u>
Expenditures:				
Instruction	20,550,127	20,141,374	19,588,914	18,536,881
Support services	12,896,515	13,380,976	12,183,112	12,233,500
Noninstructional services	912	26,426	60,506	20,000
Facilities acquisition and construction	8,100	12,365	228,891	27,765
Debt service:				
Principal	28,600	28,150	25,520	24,457
Interest	28,926	14,671	12,215	1,025
Other	-	-	-	4,592
Total Expenditures	<u>33,513,180</u>	<u>33,603,962</u>	<u>32,099,158</u>	<u>30,848,220</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(865,742)</u>	<u>(2,312,905)</u>	<u>(1,624,480)</u>	<u>(734,591)</u>
Other Financing Sources (Uses):				
Insurance recovery	177,312	20,743	8,977	-
Sale of transportation equipment	9,051	-	-	5,664
Sale of other property	-	-	9,162	-
Operating transfers in	408,364	1,440,598	333,365	186,138
Operating transfers out	(246,924)	-	(393,545)	(563,822)
Other financing uses	-	-	1,761	-
Total Other Financing Sources (Uses)	<u>347,803</u>	<u>1,461,341</u>	<u>(40,280)</u>	<u>(372,020)</u>
Net Change in Fund Balances	<u>(517,939)</u>	<u>(851,564)</u>	<u>(1,664,760)</u>	<u>(1,106,611)</u>
Fund Balances:				
July 1, as previously reported	750,846	1,072,039	2,357,558	3,379,513
Prior period adjustments	636,569	530,371	379,241	84,656
July 1, as restated	<u>1,387,415</u>	<u>1,602,410</u>	<u>2,736,799</u>	<u>3,464,169</u>
June 30,	<u>\$ 869,476</u>	<u>750,846</u>	<u>1,072,039</u>	<u>2,357,558</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

STARKVILLE SCHOOL DISTRICT

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

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 19,744,808	18,531,300	17,872,675	17,789,846
Intermediate sources	82,092	72,538	66,063	63,960
State sources	19,224,873	19,231,520	18,641,180	18,069,043
Federal sources	7,034,326	6,831,009	6,536,179	8,194,981
Sixteenth section sources	49,201	109,767	31,439	41,979
Total Revenues	<u>46,135,300</u>	<u>44,776,134</u>	<u>43,147,536</u>	<u>44,159,809</u>
Expenditures:				
Instruction	24,202,895	23,732,722	23,282,388	23,948,398
Support services	14,841,900	14,977,724	14,754,373	15,305,620
Noninstructional services	3,922,339	3,974,910	3,988,427	4,437,570
Sixteenth section	10,985	8,253	3,178	1,730
Facilities acquisition and construction	2,993,407	734,915	345,761	1,358,146
Debt service:				
Principal	2,861,919	2,164,128	2,088,464	1,858,457
Interest	930,339	860,259	939,455	967,193
Other	12,923	112,620	11,617	35,381
Total Expenditures	<u>49,776,707</u>	<u>46,565,531</u>	<u>45,413,663</u>	<u>47,912,495</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,641,407)</u>	<u>(1,789,397)</u>	<u>(2,266,127)</u>	<u>(3,752,686)</u>
Other Financing Sources (Uses):				
Debt issued	-	7,980,000	-	-
Inception of capital leases	-	-	789,109	-
Insurance recovery	177,312	20,743	8,977	-
Payments held by escrow agents	314,285	327,336	(214,279)	-
Sale of transportation equipment	9,051	-	-	5,664
Sale of other property	-	-	9,162	-
Transfer from QSCB debt service agent	-	-	214,279	-
Operating transfers in	1,258,850	1,652,594	891,566	953,138
Other financing sources	12,374	4,500	1,784	236,540
Operating transfers out	(1,258,850)	(1,652,594)	(891,566)	(953,138)
Other financing uses	(314,285)	(341,286)	-	(216,489)
Total Other Financing Sources (Uses)	<u>198,737</u>	<u>7,991,293</u>	<u>809,032</u>	<u>25,715</u>
Net Change in Fund Balances	<u>(3,442,670)</u>	<u>6,201,896</u>	<u>(1,457,095)</u>	<u>(3,726,971)</u>
Fund Balances:				
July 1, as previously reported	12,661,306	6,134,892	7,254,516	10,921,081
Prior period adjustments	730,774	311,277	313,917	84,656
July 1, as restated	<u>13,392,080</u>	<u>6,446,169</u>	<u>7,568,433</u>	<u>11,005,737</u>
Increase (Decrease) in inventory	<u>(7,613)</u>	<u>13,241</u>	<u>23,554</u>	<u>(24,250)</u>
June 30,	<u>\$ 9,941,797</u>	<u>12,661,306</u>	<u>6,134,892</u>	<u>7,254,516</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Starkville School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Starkville School District's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as Findings 2015-001, 2015-002, and 2015-003.

Compliance and Other Matters

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

Starkville School District's Response to Findings

The Starkville School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Starkville School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2016

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 OMB CIRCULAR A-133

Superintendent and School Board
Starkville School District

Report on Compliance for Each Major Federal Program

We have audited Starkville 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 its major federal programs for the year ended June 30, 2015. The Starkville School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Starkville 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Starkville School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

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BRANDON, MISSISSIPPI 39047
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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-004 and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

Starkville School District's responses to the noncompliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Starkville School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Starkville School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starkville 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2014-004 and 2015-005 that we consider to be significant deficiencies.

Starkville School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Starkville School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Starkville School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville School District as of and for the year ended June 30, 2015, which collectively comprise the Starkville School District's basic financial statements and have issued our report thereon dated January 11, 2016. 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 11, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Starkville School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? 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 Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.287	Twenty-First Century Community Learning Centers

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

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

Significant Deficiencies:

Finding 2015-001

Criteria: An effective system of internal control requires the bank reconciliations to be reviewed by central office administrative staff as well as a secondary oversight review of the food service account reconciliation.

Condition: We found that food service bank reconciliations are not being reviewed by central office administrative staff. In addition, there is no secondary oversight review documented of the food service account reconciliation.

Cause: This is the result of improper internal controls to ensure bank reconciliations are reviewed by personnel other than the individual(s) who prepared it.

Effect: Bank reconciliations without proper oversight from central office administrative staff could result in an understatement of cash and possibly fraud.

Recommendation:

We recommend the district implement policies and procedures to ensure all bank reconciliations are being reviewed by central office administrative staff as well as a secondary oversight review of the food service account reconciliation.

Finding 2015-002

Criteria: Management is responsible for establishing a proper internal control system to ensure proper financial accountability and reporting of all funds.

Condition: During the course of our audit, we noted fourteen out of eighty-five instances were invoices preceded purchase orders.

Cause: This is the result of improper internal controls and failure to comply with purchasing procedures.

Effect: Lack of adequate internal controls surrounding the approval of expenditures and over general disbursement could result in expenditures being made that were not properly authorized and misappropriation of public funds.

Recommendation: We recommend the district implement controls and procedures to ensure that all personnel comply with purchasing procedures and purchase orders are prepared and approved prior to purchasing goods or services.

Finding 2015-003

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Section III: Findings and Questioned Costs for Federal Awards

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Significant Deficiencies and Noncompliance

Finding 2015-004

Program: Title I Grants to Local Educational Agencies
CFDA# 84.010

Compliance requirement: Activities Allowed/Unallowed

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

Condition: During the course of our audit, we noted several areas of the budget where expenditures exceeded the budgeted amount in excess of the 10% cap.

Cause: Controls were not in place to ensure the carryover amount does not exceed the 10% cap.

Effect: As a result, the school district could be required to repay the Mississippi Department of Education.

Recommendation: The school district must develop policies and procedures that could strengthen its internal controls over its budgeting function to ensure federal awards are spent in accordance with the approved budgets on file at the Mississippi Department of Education.

Finding 2015-005

Program: Title I Grants to Local Educational Agencies
CFDA# 84.010

Compliance requirement: Cash Management

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

Condition: During the course of our audit, we noted several areas of the budget were noted where expenditures exceeded the budgeted amount in excess of the 10% allowable costs.

Cause: Controls were not in place to ensure the carryover amount does not exceed the 10% allowable costs.

Effect: As a result, the school district is in noncompliance with the federal regulations and could result in repaying the Mississippi Department of Education for excess funds received during the year.

Recommendation: The school district must develop policies and procedures, which strengthen its internal controls over cash management to ensure federal funds are not drawn down in excess of the local education agencies immediate cash needs.

AUDITEE'S CORRECTIVE ACTION PLAN

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

GREENSBORO CENTER, 401 GREENSBORO STREET
STARKVILLE, MS 39759



LEWIS HOLLOWAY, ED.D.
SUPERINTENDENT

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AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Starkville 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, 2015:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Tammie McGarr, Business Manager, 662-324-4050</p> <p>b. Corrective Action Planned:</p> <p>Controls will be put into place to ensure that bank reconciliations are reviewed by central office administrative staff as well as a secondary oversight review of the food service account reconciliation.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately</p>
2015-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Tammie McGarr, Business Manager, 662-324-4050</p> <p>b. Corrective Action Planned:</p> <p>Controls will be put into place to ensure that all personnel comply with purchasing procedures and purchase orders are prepared and approved prior to purchasing goods or services.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2016</p>

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

GREENSBORO CENTER, 401 GREENSBORO STREET
STARKVILLE, MS 39759



LEWIS HOLLOWAY, ED.D.
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AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

As required by Section 315(c) of OMB Circular A-133, the Starkville 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, 2015:

- 2015-003
- a. Name of Contact Person Responsible for Corrective Action
Tammie McGarr, Business Manager, 662-324-4050
 - b. Corrective Action Planned:

Controls will be put into place to ensure that at least two individuals are present to ensure cash collected is all accounted for and signed by those individuals attesting to the amount for deposit.
 - c. Anticipated Completion Date:

June 30, 2016
- 2015-004
- a. Name of Contact Person Responsible for Corrective Action
Tammie McGarr, Business Manager, 662-324-4050
 - b. Corrective Action Planned:

Controls will be put into place to ensure that federal awards are spent in accordance with the approved budgets on file at the Mississippi Department of Education.
 - c. Anticipated Completion Date:

June 30, 2016

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

GREENSBORO CENTER, 401 GREENSBORO STREET
STARKVILLE, MS 39759



LEWIS HOLLOWAY, ED.D.
SUPERINTENDENT

TELEPHONE (662) 324-4050
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2015-005

a. Name of Contact Person Responsible for Corrective Action

Tammie McGarr, Business Manager, 662-324-4050

b. Corrective Action Planned:

Controls will be put into place to ensure that federal funds are not drawn down in excess of the school district's immediate cash needs.

c. Anticipated Completion Date:

June 30, 2016