



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SUNFLOWER COUNTY CONSOLIDATED
SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2015

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	20
Exhibit F – Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	42
Budgetary Comparison Schedule – General Fund	43
Budgetary Comparison Schedule – Title I Basic Fund	44
Budgetary Comparison Schedule – 21 st Century Fund	45
Schedule of the District's Proportionate Share of the Net Pension Liability	46
Schedule of District Contribution	47
Notes to Required Supplemental Information	48
SUPPLEMENTARY INFORMATION	49
Schedule of Expenditures of Federal Awards	50
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	51
OTHER INFORMATION	52
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	53
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	54
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	55
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
Independent Auditors' Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133	58
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	60
SCHEDULE OF FINDINGS AND QUESTIONED COST	62
AUDITEE'S CORRECTIVE ACTION PLAN / AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS	65

INDEPENDENT AUDITORS' REPORT



McKENZIE CPA, PLLC

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

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Sunflower County Consolidated School District

Report on the Financial Statements

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

Auditors' 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 Auditors' 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 auditors' considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County Consolidated 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.

Other Matters**Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-14, 45-47, 48 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required Supplemental 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 Sunflower County Consolidated 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 Supplemental 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 May 16, 2017, on our consideration of the Sunflower County Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunflower County Consolidated School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC
Brandon, Mississippi
May 16, 2017

McKenzie CPA, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The following discussion and analysis of Sunflower County Consolidated 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$39,871,448, including consolidation prior period adjustment of (\$43,630,502) due primarily to the recording of the net pension liability, which represents a 185% decrease from fiscal year 2014. Total net position for 2014 increased \$489,495, including a prior period adjustment of (\$56,893), which represents a 3% decrease from fiscal year 2013.
- General revenues amounted to \$29,509,985 and \$27,971,832, or 72% and 67% 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 \$11,514,572, or 28% of total revenues for 2015, and \$13,740,718 or 33% of total revenues for 2014.
- The District had \$37,265,503 and \$41,166,162 in expenses for fiscal years 2015 and 2014; only \$11,514,572 for 2015 and \$13,740,718 for 2014 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$29,509,985 for 2015 and \$27,971,832 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$27,654,048 in revenues and \$24,928,536 in expenditures for 2015, and \$25,862,686 in revenues and \$27,370,663 in expenditures for 2014. The General Fund's fund balance increased by \$5,253,278, including the fund reclass of Sixteenth Section Interest Funds from Special Revenue Fund to General Fund in the amount of \$2,337,738, from 2014 to 2015 and decreased by \$1,084,896, including a prior period adjustment of (\$101,967), from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$681,042 for 2015, including a prior period adjustment of \$56,274, and increased by \$204,205 for 2014. The decrease for 2015 was primarily due to adjustments made to record capital assets due to the consolidation of Sunflower County School District and Indianola School District coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,124,226 for 2015 and decreased by \$1,144,722 for 2014. This decrease for 2015 was due primarily to principal payments on long-term debt. The liability for compensated absences decreased by \$40,499 for 2015 and increased by \$12,048 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 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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the differences 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 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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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 Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to 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 Supplemental 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 Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

Supplemental 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 (\$18,265,273) 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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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.

Table 1

	June 30, 2015	June 30, 2014*	Percentage Change
Current assets	\$ 16,514,702	\$ 12,508,458	32.03 %
Restricted assets	139,855	629,567	(77.79) %
Capital assets, net	13,284,449	13,965,491	(4.88) %
Total assets	29,939,006	27,103,516	10.46 %
 Deferred outflows of resources	 4,129,768	 -	 N/A %
 Current liabilities	 391,085	 99,215	 294.18 %
Long-term debt outstanding	4,273,900	5,398,126	(20.83) %
Net pension liability	41,633,919	-	N/A %
Total liabilities	46,298,904	5,497,341	742.21 %
 Deferred inflows of resources	 6,035,143	 -	 N/A %
 Net position:			
Net investment in capital assets	10,100,894	9,504,491	6.27 %
Restricted	2,117,573	4,146,189	(48.93) %
Unrestricted	(30,483,740)	7,955,495	(483.18) %
Total net position	\$ (18,265,273)	\$ 21,606,175	(184.54) %

Condensed Statement of Net Position

*As result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

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

Total unrestricted net position (deficit)	\$ (30,483,740)
Less: unrestricted deficit in net position resulting from the recognition of net pension liability	43,539,294
Unrestricted net position exlusive of effects of net pension liability effect	<u>\$ 13,055,554</u>

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

- Decrease in net capital assets in the amount of \$681,042.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

- The principal retirement of \$1,083,727 of long-term debt.
- Net Pension Liability amount of \$41,633,919.
- Deferred inflow of resources amount of \$6,035,143
- Deferred outflow of resources amount of \$4,129,768

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$41,024,557 and \$41,712,550, respectively. The total cost of all programs and services was \$37,265,503 for 2015 and \$41,166,162 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.

Table 2
Changes in Net Position

	Year Ended June 30, 2015	Year Ended June 30, 2014*	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 384,304	\$ 573,907	(33.04) %
Operating grants and contributions	11,130,268	13,166,811	(15.47) %
General revenues:			
Property taxes	8,539,693	8,224,287	3.84 %
Grants and contributions not restricted	19,214,106	18,395,911	4.45 %
Investment earnings	80,623	29,657	171.85 %
Sixteenth section sources	1,075,230	960,483	11.95 %
Other	600,333	361,494	66.07 %
Total revenues	41,024,557	41,712,550	(1.65) %
Expenses:			
Instruction	17,318,627	21,992,079	(21.25) %
Support services	13,954,593	15,750,315	(11.40) %
Non-instructional	2,863,960	3,190,829	(10.24) %
Sixteenth section	715	690	3.62 %
Pension expense	2,955,446		N/A %
Interest on long-term liabilities	172,162	232,249	(25.87) %
Total expenses	37,265,503	41,166,162	(9.48) %
Increase (Decrease) in net position	3,759,054	546,388	587.98 %
Net Position, July 1, as previously reported	N/A	21,116,680	N/A
Statutory Consolidation - Sunflower County School District, June 30, 2014	4,310,183	-	N/A
Statutory Consolidation - Indianola School District, June 30, 2014	17,295,992	-	N/A
Net Position - July 1, after Statutory Consolidations	21,606,175	N/A	N/A
Prior Period Adjustment	(43,630,502)	(56,893)	76,588.70 %
Net Position, July 1, as restated	(22,024,327)	21,059,787	(204.58) %
Net Position, June 30	\$ (18,265,273)	\$ 21,606,175	(184.54) %

*As result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1,

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014*	
Instruction	\$ 17,318,627	\$ 21,992,079	(21.25) %
Support services	13,954,593	15,750,315	(11.40) %
Non-instructional	2,863,960	3,190,829	(10.24) %
Sixteenth section	715	690	3.62 %
Pension Expense	2,955,446	-	N/A %
Interest on long-term liabilities	172,162	232,249	(25.87) %
Total expenses	\$ 37,265,503	\$ 41,166,162	(9.48) %

	Net (Expense) Revenue		Percentage Change
	2015	2014*	
Instruction	\$ (13,293,641)	\$ (16,316,400)	18.53 %
Support services	(9,891,964)	(10,831,505)	8.67 %
Non-instructional	562,997	(44,600)	1,362.33 %
Sixteenth section	(715)	(690)	(3.62) %
Pension Expense	(2,955,446)	-	N/A %
Interest on long-term liabilities	(172,162)	(232,249)	25.87 %
Total net (expense) revenue	\$ (25,750,931)	\$ (27,425,444)	6.11 %

*As result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

- Net cost of governmental activities (\$25,750,931 for 2015 and \$27,425,444 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$8,539,693 for 2015 and \$8,224,287 for 2014) and state and federal revenues (\$19,214,106 for 2015 and \$18,395,911 for 2014). In addition, there was \$1,075,230 and \$960,483 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$80,623 for 2015 and \$29,657 for 2014.

SUNFLOWER COUNTY CONSOLIDATED 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 \$16,287,520, an increase of \$3,192,412, which includes an increase in inventory of \$8,733. \$13,899,948 or 85% 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 \$2,387,572 or 15% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$5,253,278, including a fund reclassification for the Sixteenth Section Interest Fund in the amount of \$2,337,738. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,060,866, which includes an increase in inventory of \$8,733 and a fund reclassification for the Sixteenth Section Interest Fund in the amount of (\$2,337,738). The increase (decrease) in the fund balance for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No increase or decrease
21st Century Fund	No increase or decrease

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 finding 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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$29,113,630, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$627,743 from 2014. The prior year comparison amounts reflects Sunflower County School District and Indianola School District as a result of the Senate Bill No. 2760 passed by the Mississippi Legislature on July 1, 2014. Total accumulated depreciation as of June 30, 2015, was \$15,829,181, and total depreciation expense for the year was \$683,051, resulting in total net capital assets of \$13,284,449.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 474,304	\$ 474,304	0.00 %
Buildings	10,440,393	10,893,342	(4.16) %
Building improvements	1,177,602	1,256,565	(6.28) %
Improvements other than buildings	86,167	111,358	(22.62) %
Mobile equipment	677,605	776,254	(12.71) %
Furniture and equipment	428,378	453,668	(5.57) %
Total	<u>\$ 13,284,449</u>	<u>\$ 13,965,491</u>	<u>(4.88) %</u>

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 \$4,273,900 in outstanding long-term debt, of which \$1,135,689 is due within one year. The prior year comparison amounts reflects Sunflower County School District and Indianola School District as a result of the Senate Bill No. 2760 passed by the Mississippi Legislature on July 1, 2014. The liability for compensated absences decreased \$40,499 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 2,535,000	\$ 3,325,000	(23.76) %
Certificates of participation payable	100,000	195,000	(48.72) %
Three mill notes payable	933,000	1,067,000	(12.56) %
Obligations under energy efficiency leases	548,555	613,282	(10.55) %
Compensated absences payable	157,345	197,844	(20.47) %
Total	<u>\$ 4,273,900</u>	<u>\$ 5,398,126</u>	<u>(20.83) %</u>

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Central Office of the Sunflower County Consolidated School District, 196 N Martin Luther King Dr., Indianola, MS 38751.

FINANCIAL STATEMENTS

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,163,051
Due from other governments	2,300,380
Other receivables, net	16,282
Inventories	34,989
Restricted assets	139,855
Capital assets, non-depreciable	
Land	474,304
Capital assets, net of accumulated depreciation:	
Buildings	10,440,393
Building improvements	1,177,602
Improvements other than buildings	86,167
Mobile equipment	677,605
Furniture and equipment	428,378
Total Assets	<u>29,939,006</u>
Deferred Outflows of Resources	
Deferred outflow related to pensions	4,129,768
Total Deferred Outflows of Resources	<u>4,129,768</u>
Liabilities	
Accounts payable and accrued liabilities	346,100
Unearned revenue	20,937
Interest payable on long-term liabilities	24,048
Long-term liabilities, due within one year:	
Capital related liabilities	987,822
Non-capital related liabilities	147,867
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,195,733
Non-capital related liabilities	942,478
Net pension liability	41,633,920
Total Liabilities	<u>46,298,905</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	6,035,143
Total Deferred Inflows of Resources	<u>6,035,143</u>
Net Position	
Net investment in capital assets	10,100,894
Restricted for:	
Expendable:	
School-based activities	907,608
Debt service	1,079,518
Unemployment benefits	41,520
Forestry Improvements	7,448
Non-expendable:	
Sixteenth section	81,479
Unrestricted	(30,483,740)
Total Net Position (deficit)	<u>\$ (18,265,273)</u>

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 17,318,627	\$ 210,385	\$ 3,814,601	\$ (13,293,641)
Support services	13,954,593	1,048	4,061,581	(9,891,964)
Non-instructional	2,863,960	172,871	3,254,086	562,997
Sixteenth section	715	-	-	(715)
Pension expense	2,955,446	-	-	(2,955,446)
Interest on long-term liabilities	172,162	-	-	(172,162)
Total Governmental Activities	<u>\$ 37,265,503</u>	<u>\$ 384,304</u>	<u>\$ 11,130,268</u>	<u>\$ (25,750,931)</u>
General Revenues:				
Taxes:				
General purpose levies				8,345,789
Debt purpose levies				193,904
Unrestricted grants and contributions:				
State				19,041,425
Federal				172,681
Unrestricted investment earnings				80,623
Sixteenth section sources				1,075,230
Other				600,333
Total General Revenues				<u>29,509,985</u>
Change in Net Position				<u>3,759,054</u>
*Statutory Consolidation - Sunflower County School District, June 30, 2014				4,310,183
*Statutory Consolidation - Indianola School District, June 30, 2014				<u>17,295,992</u>
Net Position - Beginning, after Statutory Consolidations				21,606,175
Statutory Consolidation Adjustment				<u>(43,630,502)</u>
Net Position (Deficit) - Beginning, as Restated				<u>(22,024,327)</u>
Net Position (Deficit) - Ending				<u>\$ (18,265,273)</u>

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

*As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The final net position of the two consolidated districts are being reported to accurately state the net position of the new entity, Sunflower County Consolidated School District.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds			Other	Total
	General	Title I	21st Century	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 12,565,763	\$ 16,301	\$ -	\$ 1,660,463	\$ 14,242,527
Cash with fiscal agents	-	-	-	60,379	60,379
Due from other governments	276,981	596,033	302,719	1,043,476	2,219,209
Other receivables, net	1,181	-	-	15,101	16,282
Due from other funds	1,298,747	-	-	-	1,298,747
Advance to other funds	75,000	-	-	-	75,000
Inventories	-	-	-	34,989	34,989
Total assets	<u>\$ 14,217,672</u>	<u>\$ 612,334</u>	<u>302,719</u>	<u>\$ 2,814,408</u>	<u>\$ 17,947,133</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 71,773	\$ 23,927	218,071	\$ 32,329	\$ 346,100
Due to other funds	-	588,407	84,648	619,521	1,292,576
Unearned revenue	-	-	-	20,937	20,937
Total Liabilities	<u>71,773</u>	<u>612,334</u>	<u>302,719</u>	<u>672,787</u>	<u>1,659,613</u>
Fund Balances:					
Nonspendable:					
Permanent fund principal	-	-	-	81,479	81,479
Inventory	-	-	-	34,989	34,989
Advances	75,000	-	-	-	75,000
Restricted:					
Debt service	-	-	-	1,103,566	1,103,566
Grant activities	-	-	-	81,120	81,120
Unemployment benefits	-	-	-	41,520	41,520
Forestry improvements	-	-	-	7,448	7,448
Food Service	-	-	-	791,499	791,499
Assigned:					
Activity funds	245,951	-	-	-	245,951
Unassigned	<u>13,824,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,824,948</u>
Total Fund Balances	<u>14,145,899</u>	<u>-</u>	<u>-</u>	<u>2,141,621</u>	<u>16,287,520</u>
Total Liabilities and Fund Balances	<u>\$ 14,217,672</u>	<u>\$ 612,334</u>	<u>302,719</u>	<u>\$ 2,814,408</u>	<u>\$ 17,947,133</u>

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds **\$ 16,287,520**

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

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

Land	\$ 474,304	
Buildings	21,163,254	
Building improvements	1,603,537	
Improvements other than buildings	257,687	
Mobile equipment	3,035,493	
Furniture and equipment	2,579,355	
Accumulated depreciation	<u>(15,829,181)</u>	13,284,449

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

Net pension liability (41,633,919)

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

Deferred outflows of resources related to pensions	4,129,768	
Deferred inflows of resources related to pensions	<u>(6,035,143)</u>	(43,539,294)

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

Limited obligation bonds payable	(2,535,000)	
Notes Payable	(933,000)	
Certificates of participation	(100,000)	
Energy efficiency lease obligations	(548,555)	
Compensated absences	(157,345)	
Accrued interest payable	<u>(24,048)</u>	<u>(4,297,948)</u>

Net Position of governmental activities (deficit) **\$ (18,265,273)**

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015

Exhibit D

	Major Funds			Other	Total
	General	Title I	21st Century	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues:					
Local sources	\$ 8,950,789	\$ -	\$ -	\$ 653,068	\$ 9,603,857
State sources	17,398,056	-	-	2,763,256	20,161,312
Federal sources	230,316	3,005,132	302,719	6,644,892	10,183,059
Sixteenth section sources	1,074,887	-	-	394	1,075,281
Total Revenues	27,654,048	3,005,132	302,719	10,061,610	41,023,509
Expenditures:					
Instruction	14,800,928	1,454,761	249,560	2,512,809	19,018,058
Support services	10,125,527	869,519	43,200	3,508,180	14,546,426
Noninstructional services	1,366	330,036	-	2,653,738	2,985,140
Sixteenth section	715	-	-	-	715
Debt service:					
Principal	-	-	-	1,083,727	1,083,727
Interest	-	-	-	200,412	200,412
Other	-	-	-	4,000	4,000
Total Expenditures	24,928,536	2,654,316	292,760	9,962,866	37,838,478
Excess (Deficiency) of Revenues over (under) Expenditures	2,725,512	350,816	9,959	98,744	3,185,031
Other Financing Sources (Uses):					
Insurance recovery	1,048	-	-	-	1,048
Operating transfers in	306,779	-	-	513,713	820,492
Operating transfers out	(115,399)	(350,816)	(9,959)	(344,318)	(820,492)
Other financing uses	(2,400)	-	-	-	(2,400)
Total Other Financing Sources (Uses)	190,028	(350,816)	(9,959)	169,395	(1,352)
Net Change in Fund Balances	2,915,540	-	-	268,139	3,183,679
Fund Balances:					
*Statutory Consolidation - Sunflower County School District, June 30, 2014	1,657,448	-	-	1,926,795	3,584,243
*Statutory Consolidation - Indianola School District, June 30, 2014	7,235,173	-	-	2,275,692	9,510,865
July 1, 2014, after Statutory Consolidations	8,892,621	-	-	4,202,487	13,095,108
Fund reclassification	2,337,738	-	-	(2,337,738)	-
July 1, 2014, as restated	11,230,359	-	-	1,864,749	13,095,108
Increase in inventory	-	-	-	8,733	8,733
June 30, 2015	\$ 14,145,899	\$ -	\$ -	\$ 2,141,621	\$ 16,287,520

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

*As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The final fund balances of the two consolidated districts are being reported to accurately state the fund balances of the new entity, Sunflower County Consolidated School District.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ 3,183,679**

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 129,469	
Depreciation expense	<u>(683,051)</u>	(553,582)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(183,734)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	1,083,727	
Accrued interest payable	<u>32,250</u>	1,115,977
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities		
Pension expense - current year	(2,955,446)	
Recording of contributions made subsequent to the measurement date	<u>3,102,928</u>	147,482
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	40,499	
Change in inventory reserve	<u>8,733</u>	49,232
Change in Net Position of governmental activities		<u>\$ 3,759,054</u>

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

**Sunflower County Consolidated School District
Fiduciary Funds**

**Statement of Fiduciary Net Position
June 30, 2015**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,482	\$ 1,595,269
Total Assets	<u>\$ 3,482</u>	<u>\$ 1,595,269</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 1,509,707
Due to other funds		6,171
Advances from other funds		75,000
Due to student clubs		4,391
Total Liabilities	<u>-</u>	<u>\$ 1,595,269</u>
Net Position		
Reserved for endowments		
Held in trust	3,482	
Total net position	<u>\$ 3,482</u>	

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

Sunflower County Consolidated School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
June 30, 2015

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 20
Total Assets	20
Deductions	
Scholarships awarded	
Total Deductions	
Change in net position	20
Net Position	
*Statutory Consolidation - Sunflower County School District, June 30, 2014	-
*Statutory Consolidation - Indianola School District, June 30, 2014	3,462
July 1, 2014, at inception	3,462
July 1, 2014, as restated	3,462
June 30, 2015	\$ 3,482

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to 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 is governed by a five member board to which each member is elected by the citizens of each defined county district. As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, Sunflower County School District and Indianola School District were consolidated to form a new school district known as Sunflower County Consolidated School District. See Note 10 for further details.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

21st Century Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the 21st Century Community Learning Centers program.

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

The school district also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

Scholarship Fund - This is a fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit students through the awarding of scholarships.

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

basis and are recorded at the time the revenues are received from the State of Mississippi.

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

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as a classification of fund balances since they do not constitute expenditures or liabilities.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

F. 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 and Cash with Fiscal Agents

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

(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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,242,527 and \$1,598,751, respectively. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$14,162,051 and restricted assets in the amount of \$139,855 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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 \$16,354,066 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 \$60,379. This amount is reflected as restricted assets on Exhibit A.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 588,407
General Fund	21st Century Fund	84,648
General Fund	Other Governmental Funds	619,521
General Fund	Fiduciary Fund	6,171
Total		<u>\$ 1,298,747</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal program funds as part of the normal year end closing adjustments. Fiduciary funds accumulate interest earnings that are due to the General Fund at year end.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary Funds	\$ 75,000
Total		<u>\$ 75,000</u>

Advances were for cash flow purposes.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 115,399
Title I Fund	Other Governmental Funds	293,572
Title I Fund	General Fund	57,244
21st Century Fund	General Fund	9,959
Other Governmental Funds	General Fund	239,576
Other Governmental Funds	Other Governmental Funds	104,742
Total		<u>\$ 820,492</u>

The primary purpose of the inter-fund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$79,476, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$60,379, MAEP Retirement Fund.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 5 – Capital Assets

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

	Balance 7/1/2014*	Increases	Decreases	Adjustments	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 474,304	-	-	-	474,304
Total non-depreciable capital assets	474,304	-	-	-	474,304
<u>Depreciable capital assets:</u>					
Buildings	21,611,396	-	368,710	(79,432)	21,163,254
Building improvements	1,577,079	-	-	26,458	1,603,537
Improvements other than buildings	281,139	-	6,784	(16,668)	257,687
Mobile equipment	3,285,831	30,879	295,964	14,747	3,035,493
Furniture and equipment	2,511,624	98,590	132,063	101,204	2,579,355
Total depreciable capital assets	29,267,069	129,469	803,521	46,309	28,639,326
<u>Less accumulated depreciation for:</u>					
Buildings	10,718,054	325,192	294,968	(25,417)	10,722,861
Building improvements	320,514	56,702	-	48,719	425,935
Improvements other than buildings	169,781	2,677	-	(938)	171,520
Mobile equipment	2,509,577	130,112	199,470	(82,331)	2,357,888
Furniture and equipment	2,057,956	168,368	125,349	50,002	2,150,977
Total accumulated depreciation	15,775,882	683,051	619,787	(9,965)	15,829,181
Total depreciable capital assets, net	13,491,187	(553,582)	183,734	56,274	12,810,145
Governmental activities capital assets, net	\$ 13,965,491	\$ (553,582)	\$ 183,734	56,274	13,284,449

* As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

Adjustments were made to properly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 234,211
Support services	397,017
Non-instructional	51,823
Total depreciation expense - Governmental activities	<u>\$ 683,051</u>

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014*	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,325,000	\$ -	\$ 790,000	\$ 2,535,000	\$ 820,000
B. Certificates of participation payable	195,000	-	95,000	100,000	100,000
C. Three mill notes payable	1,067,000	-	134,000	933,000	140,000
D. Obligations under energy efficiency leases	613,282	-	64,727	548,555	67,822
E. Compensated absences payable	197,844	-	40,499	157,345	7,867
Total	<u>\$ 5,398,126</u>	<u>\$ -</u>	<u>\$ 1,124,226</u>	<u>\$ 4,273,900</u>	<u>\$ 1,135,689</u>

* As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, series 1998	4.80%	3/17/1998	3/17/2018	\$ 1,335,000	\$ 315,000
State aid capital improvement refunding bonds, series 2007	4.6-4.75%	3/1/2007	3/1/2018	3,910,000	1,325,000
State aid capital improvement refunding bonds, series 2009	2.5-3%	2/27/2009	3/1/2018	2,415,000	895,000
Total				<u>\$ 7,660,000</u>	<u>\$ 2,535,000</u>

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

Limited obligation bonds issued March 17, 1998:

Year Ending June 30	Principal	Interest	Total
2016	\$ 100,000	\$ 15,120	\$ 115,120
2017	105,000	10,320	115,320
2018	110,000	5,280	115,280
Total	\$ 315,000	\$ 30,720	\$ 345,720

Limited obligation bonds issued March 1, 2007:

Year Ending June 30	Principal	Interest	Total
2016	\$ 425,000	\$ 51,016	\$ 476,016
2017	440,000	34,696	474,696
2018	460,000	17,756	477,756
Total	\$ 1,325,000	\$ 103,468	\$ 1,428,468

Limited obligation bonds issued February 27, 2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 295,000	\$ 25,228	\$ 320,228
2017	295,000	17,410	312,410
2018	305,000	9,150	314,150
Total	\$ 895,000	\$ 51,788	\$ 946,788

Total Limited obligation bonds payable for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 820,000	\$ 91,364	\$ 911,364
2017	840,000	62,426	902,426
2018	875,000	32,186	907,186
Total	\$ 2,535,000	\$ 185,976	\$ 2,720,976

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. This debt will be retired from the MAEP Bond Debt Service Fund.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

B. Certificates of participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$1,200,000 Promissory Note	6.00%	8/1/1996	8/1/2015	\$ 1,200,000	\$ 100,000
Total				<u>\$ 1,200,000</u>	<u>\$ 100,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 100,000	\$ 3,063	\$ 103,063
Total	<u>\$ 100,000</u>	<u>\$ 3,063</u>	<u>\$ 103,063</u>

This debt will be retired from the Debt Service Building and Buses Pledge Fund. The District has pledged its EEF – Building and Buses funds, in the amount of \$105,059, annually for a 20 year period beginning in 1995-1996 school year and concluding 2015-2016 school year. Funds were used to build a Vocational Building. The amount pledged includes principal and interest. The amount received in the most current years has been equivalent to the annual debt payments

C. Three Mill notes payable

Three Mill notes payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2004	4.13%	8/27/2004	8/27/2014	\$ 600,000	\$ -
Limited Tax Notes, Series 2011	4.05%	5/17/2011	5/17/2021	1,064,000	933,000
Total				<u>\$ 1,664,000</u>	<u>\$ 933,000</u>

This debt will be retired from the note payable debt service funds.

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

Limited Tax Notes, Series 2004 was retired from the Three Mill note debt service fund during the June 30, 2015 fiscal year.

Limited Tax Notes, Series 2011:

2016	\$	140,000	\$	37,787	\$	177,787
2017		146,000		32,117		178,117
2018		152,000		26,204		178,204
2019		158,000		20,048		178,048
2020		165,000		13,649		178,649
2021		172,000		6,967		178,967
Total	\$	933,000	\$	136,772	\$	1,069,772

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	4.68%	8/14/2007	6/1/2022	\$ 1,000,226	\$ 548,555
Total				<u>\$ 1,000,226</u>	<u>\$ 548,555</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	67,822	26,230	94,052
2017	71,065	22,987	94,052
2018	74,463	19,589	94,052
2019	78,024	16,028	94,052
2020	81,755	12,298	94,053
2021-2022	175,426	12,680	188,106
Total	<u>\$ 548,555</u>	<u>\$ 109,812</u>	<u>\$ 658,367</u>

An energy efficient lease agreement dated August 14, 2007, was executed by and between the district, the lessee, and Sun Trust Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$1,000,226 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Energy Lease Debt Service Fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 \$3,102,928, \$3,301,893 and \$2,955,672 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 \$41,633,919 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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

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 0.343087% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,955,446. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 649,477	
Net difference between projected and actual earnings on pension plan investments		\$ 6,035,143
Changes of assumptions		
Changes in proportion and differences between district contributions and proportionate share of contributions	377,363	
District contributions subsequent to the measurement date	3,102,928	
Total	\$ <u>4,129,768</u>	\$ <u>6,035,143</u>

\$3,102,928 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	\$ (1,139,419)
2017	(1,139,419)
2018	(1,220,679)
2019	(1,508,786)
Thereafter	-0-

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 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

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

Discount rate. The discount rate used to measure the total pension liability was 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	\$ 56,759,448	\$ 41,633,920	\$ 29,016,980

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

Note 8 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up 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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	\$ 1,001,445
2017	829,735
2018	538,914
2019	518,064
2020	465
2021 – 2025	2,325
2026 – 2030	2,325
2031 – 2035	450
2036 – 2040	450
Thereafter	4,950
Total	<u>\$ 2,899,123</u>

Note 10 – Consolidation of Sunflower County and Indianola School Districts

As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated to form a new school district known as Sunflower County Consolidated School District. The intent of the statutory consolidation is to enable Sunflower County Consolidated School District to save money and provide better education. The initial opening balances of Sunflower County Consolidated School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, as of the beginning of the period, were determined on the basis of the carrying values reported in the separate financial statements of Sunflower County School District and Indianola School District as of June 30, 2014 as follows:

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

	Sunflower County School District	Indianola School District	Total	Adjustments Debit (Credit)	Total
Assets					
Current Assets	\$ 2,991,718	\$ 9,516,740	\$ 12,508,458	\$ -	\$ 12,508,458
Restricted Assets	592,525	37,042	629,567	-	629,567
Capital Assets	3,503,023	10,462,518	13,965,541	-	13,965,541
Total Assets	7,087,266	20,016,300	27,103,566	-	27,103,566
Deferred Outflows of Resources	-	-	-	-	-
Liabilities					
Current Liabilities	26,599	72,616	99,215	-	99,215
Noncurrent Liabilities	2,750,484	2,647,642	5,398,126	-	5,398,126
Total Liabilities	2,777,083	2,720,258	5,497,341	-	5,497,341
Deferred Inflows of Resources	-	-	-	-	-
Net Position					
Net Investment in Capital Assets	972,023	8,532,468	9,504,491	-	9,504,491
Restricted	1,900,196	2,245,993	4,146,189	-	4,146,189
Unrestricted	1,437,964	6,517,531	7,955,495	-	7,955,495
Total Net Position (Deficit)	4,310,183	17,295,992	21,606,175	-	21,606,175

Note 11 – Prior Period Adjustments

A summary of the prior period adjustments are as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (measurement date)	(46,988,669)
Deferred outflows - contributions made during fiscal year 2014	3,301,893
Total prior period adjustment related to GASB 68 and 71	(43,686,776)
2 Adjustments were made to properly present capital assets	56,274
Total	\$ (43,630,502)

Note 12 – 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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Financial Statements
For the Year Ended June 30, 2015

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 13 – Fund Reclassification

The Sixteenth Section Interest Fund beginning balance of \$2,337,738 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

Note 14 – Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$30,483,740) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,102,928 resulting from the district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$1,026,840 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in revenue over the next 3 years. The \$6,035,143 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Sunflower County Consolidated School District evaluated the activity of the district through May 16, 2017, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
				Original	Final
	Original	Final		to Final	to Actual
Revenues:					
Local sources	\$ 8,720,769	\$ 8,951,092	\$ 8,950,789	\$ 230,323	\$ (303)
State sources	16,959,399	17,398,056	17,398,056	438,657	-
Federal sources	631,091	230,316	230,316	(400,775)	-
Sixteenth section sources	651,065	1,074,886	1,074,887	423,821	1
Total Revenues	26,962,324	27,654,350	27,654,048	692,026	(302)
Expenditures:					
Instruction	15,461,402	14,800,926	14,800,928	660,476	(2)
Support services	11,029,996	10,125,527	10,125,527	904,469	-
Noninstructional services	-	1,366	1,366	(1,366)	-
Sixteenth section	6,000	714	715	5,286	(1)
Facilities acquisition and construction	153,000	-	-	153,000	-
Total Expenditures	26,650,398	24,928,533	24,928,536	1,721,865	(3)
Excess (Deficiency) of Revenues over (under) Expenditures	311,926	2,725,817	2,725,512	2,413,891	(305)
Other Financing Sources (Uses):					
Insurance loss recoveries	-	1,048	1,048	1,048	-
Operating transfers in	399,340	306,947	306,947	(92,393)	-
Other financing sources	-	-	-	-	-
Operating transfers out	(241,002)	(115,567)	(115,567)	125,435	-
Other financing uses	-	(2,400)	(2,400)	(2,400)	-
Total Other Financing Sources (Uses)	158,338	190,028	190,028	31,690	-
Net Change in Fund Balances	470,264	2,915,845	2,915,540	2,445,581	(305)
Fund Balances:					
July 1, 2014, as previously reported	8,892,621	8,892,621	N/A	-	N/A
Satutory Consolidation - Sunflower County School District, June 30, 2014	-	-	1,657,448	-	1,657,448
Satutory Consolidation - Indianola School District, June 30, 2014	-	-	7,235,173	-	7,235,173
July 1, 2014, after Statutory Consolidations	8,892,621	8,892,621	8,892,621	-	8,892,621
Fund reclassification	-	2,337,738	2,337,738	2,337,738	-
Prior period adjustments	-	(745)	-	(745)	745
July 1, 2014, as restated	8,892,621	11,229,614	11,230,359	2,336,993	8,893,366
June 30, 2015	\$ 9,362,885	\$ 14,145,459	\$ 14,145,899	\$ 4,782,574	\$ 8,893,061

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal Sources	\$ 2,984,312	\$ 3,005,132	\$ 3,005,132	\$ 20,820	\$ -
Total Revenues	2,984,312	3,005,132	3,005,132	20,820	-
Expenditures:					
Instruction	1,208,767	1,454,761	1,454,761	(245,994)	-
Support Services	1,036,824	869,519	869,519	167,305	-
Noninstructional Services	336,448	330,036	330,036	6,412	-
Total Expenditures	2,582,039	2,654,316	2,654,316	(72,277)	-
Excess (Deficiency) of Revenues over (under) Expenditures	402,273	350,816	350,816	(51,457)	-
Other Financing Sources (Uses):					
Operating transfers out	(402,273)	(350,816)	(350,816)	51,457	-
Total Other Financing Sources (Uses)	(402,273)	(350,816)	(350,816)	51,457	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014, at inception	-	-	-	-	-
June 30, 2015	\$ -	-	-	-	-

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
21st Century Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal Sources	\$ -	\$ 302,719	\$ 302,719	\$ 302,719	\$ -
Total Revenues	-	302,719	302,719	302,719	-
Expenditures:					
Instruction	-	249,560	249,560	(249,560)	-
Support Services	-	43,200	43,200	(43,200)	-
Noninstructional Services	-	-	-	-	-
Total Expenditures	-	292,760	292,760	(292,760)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	9,959	9,959	9,959	-
Other Financing Sources (Uses):					
Operating transfers out	-	(9,959)	(9,959)	(9,959)	-
Total Other Financing Sources (Uses)	-	(9,959)	(9,959)	(9,959)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014, at inception	-	-	-	-	-
June 30, 2015	\$ -	-	-	-	-

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

Sunflower County Consolidated School District

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

PERS

Last 10 Fiscal Years*

	2015
District's proportion of the net pension liability (asset)	\$ 41,633,919
District's proportionate share of the net pension liability (asset)	0.343087%
District's covered - employee payroll	20,964,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.593420%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

Sunflower County Consolidated School District

Schedule of District Contributions

PERS

Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ 3,102,928
Contributions in relation to the contractually required contribution	3,102,928
Contribution deficiency (excess)	\$ -
District's covered - employee payroll	19,701,130
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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school district 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.

SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Supplementary Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 789,918
National school lunch program	10.555	2,004,314
Total child nutrition cluster		<u>2,794,232</u>
Total passed-through Mississippi Department of Education		<u>2,794,232</u>
Total U.S. Department of Agriculture		<u>2,794,232</u>
<u>U.S. Department of Defense</u>		
Direct Program		
Reserve officers' training corps	12.xxx	<u>57,635</u>
Total U.S. Department of Defense		<u>57,635</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	<u>86,936</u>
Total Federal Communications Commission		<u>86,936</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	3,169,206
Caree and technical education - basic grants to states	84.048	78,064
Rehabilitation service	84.126	1,834
Fund for the improvement of education - delta health alliance	84.215	903,846
Rural education	84.358	40,977
21st century learning	84.287	439,624
Educator in residence	84.357	43,634
Improving teacher quality state grants	84.367	473,636
School improvement grants	84.377	913,265
Subtotal		<u>6,064,086</u>
Special education cluster:		
Special education - grants to states	84.027	829,064
Special education - preschool grants	84.173	29,602
Total special education cluster		<u>858,666</u>
Total passed-through Mississippi Department of Education		<u>6,922,752</u>
Total U.S. Department of Education		<u>6,922,752</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>83,911</u>
Total passed-through Mississippi Department of Education		<u>83,911</u>
Total U.S. Department of Health and Human Services		<u>83,911</u>
Total for All Federal Awards		<u>\$ 9,945,466</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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2015

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 27,476,507	19,712,228	1,759,718	2,099,754	3,904,807
Other	10,361,971	4,217,888	657,189	22,048	5,464,846
Total	<u>\$ 37,838,478</u>	<u>23,930,116</u>	<u>2,416,907</u>	<u>2,121,802</u>	<u>9,369,653</u>
Total number of students *	<u>4,086</u>				
Cost per student	<u>\$ 9,261</u>	<u>5,857</u>	<u>592</u>	<u>519</u>	<u>2,293</u>

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

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

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

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

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

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

OTHER INFORMATION

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 8,950,789	8,411,450	8,610,526	6,633,305
Intermediate sources	-	4,000	-	-
State sources	17,398,056	17,134,058	17,639,777	16,368,573
Federal sources	230,316	313,178	794,956	718,147
Sixteenth section sources	1,074,887	-	-	872
Total Revenues	27,654,048	25,862,686	27,045,259	23,720,897
Expenditures:				
Instruction	14,800,928	16,209,955	15,742,075	13,077,666
Support services	10,125,527	10,423,389	10,457,453	9,151,134
Noninstructional services	1,366	-	-	11,834
Facilities acquisition and construction	-	737,319	-	-
Sixteenth section	715	-	-	-
Total Expenditures	24,928,536	27,370,663	26,199,528	22,240,634
Excess (Deficiency) of Revenues over (under) Expenditures	2,725,512	(1,507,977)	845,731	1,480,263
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	80,000
Insurance recoveries	1,048	-	19,875	6,015
Sale of transportation equipment	-	-	-	6,425
Sale of other property	-	68	27	601
Other financing uses	(2,400)	(7,366)	-	-
Operating transfers in	306,947	1,213,313	955,210	1,112,507
Operating transfers out	(115,567)	(680,967)	(1,097,700)	(1,240,826)
Total Other Financing Sources (Uses)	190,028	525,048	(122,588)	(35,278)
Net Change in Fund Balances	2,915,540	(982,929)	723,143	1,444,985
Fund Balances:				
Beginning of period, as previously reported	N/A	9,977,517	8,298,425	6,833,954
Statutory Consolidation - Sunflower County School District, June 30, 2014	1,657,448	-	-	-
Statutory Consolidation - Indianola School District, June 30, 2014	7,235,173	-	-	-
Beginning of period, at inception	8,892,621	-	-	-
Prior period adjustments	-	(101,967)	(15,644)	19,486
Direct adjustment for the 2012 SB No. 2330	-	-	971,593	-
Fund Reclassification	2,337,738	-	-	-
Beginning of period, as restated	11,230,359	9,875,550	9,254,374	6,853,440
End of Period	\$ 14,145,899	8,892,621	9,977,517	8,298,425

*SOURCE - PRIOR YEAR AUDIT REPORTS

*As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represent both school districts. See Note 10 for further details.

The 2014 and 2013 years are the only years that include the combined district of Sunflower County School District and Drew School District. These districts were merged in 2013. The 2012 year shows Sunflower County School District's financials without Drew School District's financials included.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 9,603,857	9,240,938	9,411,678	7,453,729
Intermediate sources	-	74,730	-	-
State sources	20,161,312	19,320,626	19,788,306	18,445,801
Federal sources	10,183,059	12,119,790	12,612,591	15,052,902
Sixteenth section sources	1,075,281	956,464	1,054,762	638,280
Total Revenues	41,023,509	41,712,548	42,867,337	41,590,712
Expenditures:				
Instruction	19,018,058	21,635,810	21,150,246	19,903,215
Support services	14,546,426	15,504,205	15,611,021	15,733,971
Noninstructional services	2,985,140	3,165,468	3,025,230	2,683,095
Facilities acquisition and construction	-	737,319	-	485,931
Sixteenth section	715	690	5,488	1,591
Debt service:				
Principal	1,083,727	1,156,770	1,782,998	1,516,077
Interest	200,412	244,767	290,764	284,790
Other	4,000	4,003	4,049	3,050
Total Expenditures	37,838,478	42,449,032	41,869,796	40,611,720
Excess (Deficiency) of Revenues over (under) Expenditures	3,185,031	(736,484)	997,541	978,992
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	80,000
Insurance recoveries	1,048	-	19,875	357,414
Sale of transportation equipment	-	-	-	6,425
Sale of other property	-	68	27	646
Other financing uses	(2,400)	(7,366)	(1,125)	(444)
Operating transfers in	820,660	2,315,461	2,531,651	2,932,344
Operating transfers out	(820,660)	(2,315,461)	(2,531,651)	(2,932,344)
Total Other Financing Sources (Uses)	(1,352)	(7,298)	18,777	444,041
Net Change in Fund Balances	3,183,679	(743,782)	1,016,318	1,423,033
Fund Balances:				
Beginning of period, as previously reported	N/A	13,971,061	11,454,286	10,021,043
Statutory Consolidation - Sunflower County School District, June 30, 2014	3,584,243	-	-	-
Statutory Consolidation - Indianola School District, June 30, 2014	9,510,865	-	-	-
Beginning of period, at inception	13,095,108			
Direct adjustments for 2012 SB No. 2330	-	-	1,534,836	-
Prior period adjustments	-	(97,748)	(57,871)	8,705
Beginning of period, as restated	13,095,108	13,873,313	12,931,251	10,029,748
Increase (Decrease) in reserve for inventory	8,733	(34,423)	23,492	1,505
End of Period	\$ 16,287,520	13,095,108	13,971,061	11,454,286

***SOURCE - PRIOR YEAR AUDIT REPORTS**

*As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year comparison amounts represents both school districts. See Note 10 for further details.

The 2014 and 2013 year is the years that include the combined district of Sunflower County School District and Drew School District. These districts were merged in 2013. The 2012 year shows Sunflower County School District's financials without Drew School District's financials included.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042

(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpapllc.com

Independent Auditors' 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
Sunflower County Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunflower County Consolidated School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Sunflower County Consolidated School District's basic financial statements, and have issued our report thereon dated May 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sunflower County Consolidated 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 Sunflower County Consolidated School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunflower County Consolidated School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. **2015-01**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunflower County Consolidated School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

McKenzie CPA, PLLC
Brandon, Mississippi
May 16, 2017

McKenzie CPA, PLLC



McKENZIE CPA, PLLC

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

Independent Auditors' Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

Superintendent and School Board
Sunflower County Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited Sunflower County Consolidated School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sunflower County Consolidated School District's major federal programs for the year ended June 30, 2015. Sunflower County Consolidated School District's major federal programs are identified in the summary of Auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Sunflower County Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Sunflower County Consolidated School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sunflower County Consolidated School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Sunflower County Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunflower County Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Sunflower County Consolidated School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McKenzie CPA, PLLC
Brandon, Mississippi
May 16, 2017

McKenzie CPA, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



McKENZIE CPA, PLLC

521 Chuck Wagon Drive
Brandon, MS 39042

(Phone) 601-670-5282 (Email) barrymckenzie@mckenziecpallc.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Sunflower County Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County Consolidated School District as of and for the year ended June 30, 2015, which collectively comprise Sunflower County Consolidated School District's basic financial statements and have issued our report thereon dated May 16, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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 Superintendent and 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.

McKenzie CPA, PLLC
Brandon, Mississippi
May 16, 2017

McKenzie CPA, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of Auditors' report issued: | Unmodified |
| | | |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiencies identified? | None Reported |
| | | |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Significant deficiency identified? | None Reported |
| | | |
| 5. | Type of Auditors' 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? | No |

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
84.377	School Improvement Grants
84.027; 84.173	Special Education Cluster

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| | | |
| 9. | Auditee qualified as low-risk auditee? | No |
| | | |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133. | Yes |

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II: Financial Statement Findings

Material Weakness

2015-01 Finding

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

Management is responsible for safeguarding and properly recording all assets of the school district. The Financial Accounting Manual for Mississippi Public School Districts requires that all assets be properly recorded and provides reporting thresholds for capital assets and instructions on the computations to be used for depreciation. Generally accepted accounting principles require that all assets meeting the guidelines as stated in the manual be depreciated yearly based on the assets useful life.

When reconciling the districts assets to the prior year asset listing of Sunflower County School District and Indianola School district, an unreconciled difference of \$469,624 was found. This difference was reconciled by correcting the items noted of concern.

During our tests of capital assets we noted the following items of concern:

1. Multiple assets were found to have identical asset numbers.
2. Multiple assets were found to not be found within the asset listing
3. Assets combined from Sunflower County School District and Indianola School were not reconciled.
4. Assets were found that didn't have the correct depreciation for the current and previous periods

The asset problems noted appeared to occur when the accounting software of the two district were combined into one system for the statutory consolidation of the districts. Both districts had assets with identical asset numbers that when combined into one listing caused the majority of the errors. The software vendor assisted the district with this process. The software vendor nor the district reconciled or corrected the errors due to the conversion. The depreciation was not being calculated properly due to conversion and input errors from the district. These errors caused a material misstatement that had to be corrected through adjustments recommended by the auditor and approved by management of the district.

Recommendation

We recommend that district implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling these items monthly to current month additions and board approved disposals of equipment. Additionally the district should verify that all assets are entered into the accounting software properly and ensure that the proper depreciation is being calculated.

Section III: Federal Award Findings and Questioned Costs

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

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

Sunflower County Consolidated School District

196 N Martin Luther King Dr.
Indianola, MS 38751
Miskia Davis, Interim Superintendent
Lillie Robey, Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

Finding

Corrective Action Plan Details

2015-01

a. Name of the contact person responsible for corrective action

Name: Lillie Robey
Title: Business Manager
Phone Number: (662) 887-4919

b. Corrective action planned:

Management will implement procedures and internal controls with regard to the purchase, disposal, and transfer of fixed assets by reconciling these items monthly to current month additions and board approved disposal of equipment. The district will also review all assets entered into the software to make sure depreciation is being properly recorded and will make the necessary adjustments to the financial statements.

c. Anticipated completion date:

June 30, 2017

Sunflower County Consolidated School District

196 N Martin Luther King Dr.
Indianola, MS 38751
Miskia Davis, Interim Superintendent
Lillie Robey, Business Manager

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Sunflower County Consolidated School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2014:

<u>Findings*</u>	<u>Status</u>
2014-01	Corrected
2014-02	Corrected
2014-03	Corrected
2014-04	Corrected

*As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the Sunflower County School District and Indianola School District were consolidated and formed Sunflower County Consolidated School District. The prior year findings are from the Sunflower County School District audit report. There were no findings reported in the prior year for Indianola School District.