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LEFLORE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Interim Superintendent
Leflore County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Leflore County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Leflore County School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 8, 2018, on my consideration of the Leflore County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Leflore County School District's 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 Leflore County School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LEFLORE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following discussion and analysis of Leflore County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$648,305, including a prior period adjustment of (\$7,970), which represents a 2.88% decrease from fiscal year 2016. Total net position for 2016 increased \$1,287,090, including a prior period adjustment of (\$17,716), which represents a 5.4% increase from fiscal year 2015.
- General revenues amounted to \$17,491,074 and \$17,818,585, or 74% and 73% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,313,455, or 26% of total revenues for 2017, and \$6,595,726, or 27% of total revenues for 2016.
- The District had \$24,444,864 and \$23,109,505 in expenses for fiscal years 2017 and 2016; only \$6,313,455 for 2017 and \$6,595,726 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,491,074 for 2017 were not adequate to provide for these programs. General revenues of \$17,818,585 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,487,409 in revenues and \$15,391,013 in expenditures for 2017, and \$16,710,411 in revenues and \$16,042,837 in expenditures in 2016. The General Fund's fund balance increased by \$1,099,827, including a prior period adjustment of (\$5,385), from 2016 to 2017 and increased by \$821,942 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$344,088 for 2017 and increased by \$479,964 for 2016. The decrease for 2017 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$159,237 for 2017 and increased by \$914,502 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$8,996 for 2017 and decreased by \$94,415 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$23,150,215 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 5,381,283	\$ 4,275,148	25.87 %
Restricted assets	3,203,207	2,807,388	14.10 %
Capital assets, net	7,751,240	8,095,328	(4.25) %
Total assets	16,335,730	15,177,864	7.63 %
Deferred outflows of resources	5,798,045	4,533,060	27.91 %
Current liabilities	211,643	289,491	(26.89) %
Long-term debt outstanding	4,541,344	4,700,581	(3.39) %
Net pension liability	35,845,566	31,399,429	14.16 %
Total liabilities	40,598,553	36,389,501	11.57 %
Deferred inflows of resources	4,685,437	5,823,333	(19.54) %
Net position:			
Net investment in capital assets	3,256,324	3,582,309	(9.10) %
Restricted	3,062,958	2,432,853	25.90 %
Unrestricted	(29,469,497)	(28,517,072)	(3.34) %
Total net position	\$ (23,150,215)	\$ (22,501,910)	(2.88) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (29,469,497)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	34,732,958
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,263,461</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 \$344,088.
- The principal retirement of \$168,233 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$23,804,529 and \$24,414,311, respectively. The total cost of all programs and services was \$24,444,864 for 2017 and \$23,109,505 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 258,850	\$ 194,292	33.23 %
Operating grants and contributions	6,054,605	6,401,434	(5.42) %
General revenues:			
Property taxes	5,072,322	4,999,776	1.45 %
Grants and contributions not restricted	11,287,608	11,682,809	(3.38) %
Investment earnings	25,681	18,904	35.85 %
Sixteenth section sources	936,394	968,502	(3.32) %
Other	169,069	148,594	13.78 %
Total revenues	23,804,529	24,414,311	(2.50) %
Expenses:			
Instruction	9,790,173	10,338,994	(5.31) %
Support services	8,958,671	9,159,245	(2.19) %
Non-instructional	1,436,033	1,491,705	(3.73) %
Sixteenth section	48,843	53,775	(9.17) %
Pension expense	3,981,840	1,848,790	115.38 %
Interest on long-term liabilities	229,304	216,996	5.67 %
Total expenses	24,444,864	23,109,505	5.78 %
Increase (Decrease) in net position	(640,335)	1,304,806	(149.08) %
Net Position, July 1, as previously reported	(22,501,910)	(23,789,000)	5.41 %
Prior Period Adjustment	(7,970)	(17,716)	55.01 %
Net Position, July 1, as restated	(22,509,880)	(23,806,716)	5.45 %
Net Position, June 30	\$ (23,150,215)	\$ (22,501,910)	(2.88) %

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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 9,790,173	\$ 10,338,994	(5.31) %
Support services	8,958,671	9,159,245	(2.19) %
Non-instructional	1,436,033	1,491,705	(3.73) %
Sixteenth section	48,843	53,775	(9.17) %
Pension Expense	3,981,840	1,848,790	115.38 %
Interest on long-term liabilities	229,304	216,996	5.67 %
Total expenses	\$ 24,444,864	\$ 23,109,505	5.78 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (8,542,897)	\$ (8,289,723)	3.05 %
Support services	(6,017,285)	(6,724,554)	(10.52) %
Non-instructional	673,197	620,059	8.57 %
Sixteenth section	(33,280)	(53,775)	(38.11) %
Pension Expense	(3,981,840)	(1,848,790)	115.38 %
Interest on long-term liabilities	(229,304)	(216,996)	5.67 %
Total net (expense) revenue	\$ (18,131,409)	\$ (16,513,779)	9.80 %

- Net cost of governmental activities (\$18,131,409 for 2017 and \$16,513,779 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$5,072,322 for 2017 and \$4,999,776 for 2016) and state and federal revenues (\$11,287,608 for 2017 and \$11,682,809 for 2016). In addition, there was \$936,394 and \$968,502 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$25,681 for 2017 and \$18,904 for 2016.

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 \$8,511,670, an increase of \$1,586,713, which includes a prior period adjustment of (\$7,970) and an increase in inventory of \$8,258. \$5,276,353 or 62% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,235,317 or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$1,099,827, which includes a prior period adjustment of (\$5,385). The fund balance of Other Governmental Funds showed an increase in the amount of \$70,749, which includes a prior period adjustment of (\$2,585). The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Food Service Fund	\$ 416,137
Title I Basic Fund	no increase or decrease
BHA Part B Fund	no increase or decrease
Youth Detention Center 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 funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$15,745,366, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$91,476 from 2016. Total accumulated depreciation as of June 30, 2017, was \$7,994,126, and total depreciation expense for the year was \$483,750, resulting in total net capital assets of \$7,751,240.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 149,099	\$ 149,099	0.00 %
Construction in Progress	0	300,995	(100.00) %
Buildings	5,573,978	5,322,495	4.72 %
Building improvements	742,550	791,202	(6.15) %
Improvements other than buildings	168,804	176,310	(4.26) %
Mobile equipment	478,805	521,408	(8.17) %
Furniture and equipment	166,132	295,590	(43.80) %
Leased property under capital leases	471,872	538,229	(12.33) %
Total	\$ 7,751,240	\$ 8,095,328	(4.25) %

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

Debt Administration. At June 30, 2017, the District had \$4,541,344 in outstanding long-term debt, of which \$177,061 is due within one year. The liability for compensated absences increased \$8,996 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Three mill notes payable	1,025,000	1,125,000	(8.89) %
Obligations under capital leases	469,916	538,149	(12.68) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	46,428	37,432	24.03 %
Total	\$ 4,541,344	\$ 4,700,581	(3.39) %

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

CURRENT ISSUES

The Leflore County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Leflore County School District, 1901 Highway 82 West, Greenwood, MS 38930.

BASIC FINANCIAL STATEMENTS

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LEFLORE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,707,268
Due from other governments	618,251
Other receivables, net	14,125
Inventories	41,639
Restricted assets (Note 4)	3,203,207
Non-depreciable capital assets (Note 5)	149,099
Depreciable capital assets, net (Note 5)	7,602,141
Total Assets	<u>16,335,730</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	5,798,045
Total Deferred Outflows of Resources	<u>5,798,045</u>
Liabilities	
Accounts payable and accrued liabilities	72,820
Interest payable on long-term liabilities	138,823
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	174,739
Non-capital related liabilities	2,322
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,320,177
Non-capital related liabilities	44,106
Net pension liability (Note 7)	35,845,566
Total Liabilities	<u>40,598,553</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	4,685,437
Total Deferred Inflows of Resources	<u>4,685,437</u>
Net Position	
Net investment in capital assets	3,256,324
Restricted net position	
Expendable	
School-based activities	1,300,798
Debt service	1,088,150
Capital Projects	3,351
Forestry improvements	51,806
Unemployment benefits	55,000
Non-expendable	
Sixteenth section	563,853
Unrestricted	<u>(29,469,497)</u>
Total Net Position	<u>\$ (23,150,215)</u>

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

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LEFLORE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

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	\$ 9,790,173	121,305	1,125,971	(8,542,897)
Support services	8,958,671	77,693	2,863,693	(6,017,285)
Non-instructional	1,436,033	44,289	2,064,941	673,197
Sixteenth section	48,843	15,563		(33,280)
Pension expense	3,981,840			(3,981,840)
Interest on long-term liabilities	229,304			(229,304)
Total Governmental Activities	24,444,864	258,850	6,054,605	(18,131,409)
General Revenues				
Taxes				
General purpose levies				4,704,721
Debt purpose levies				367,601
Unrestricted grants and contributions				
State				11,169,428
Federal				118,180
Unrestricted investment earnings				25,681
Sixteenth section sources				936,394
Other				169,069
Total General Revenues				17,491,074
Changes in Net Position				(640,335)
Net Position - Beginning, as previously reported				(22,501,910)
Prior Period Adjustments (Note 9)				(7,970)
Net Position - Beginning - as restated				(22,509,880)
Net Position - Ending				\$ (23,150,215)

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

LEFLORE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit C

	Major Funds					Other	Total
	General Fund	Food Service Fund	Title I Basic Fund	EHA Part B Fund	Youth Detention Center Fund	Governmental Funds	Governmental Funds
Assets							
Cash and cash equivalents (Note 2)	\$ 4,707,268	1,077,827				1,237,362	7,022,457
Investments (Note 2)						888,018	888,018
Due from other governments	149,520		239,754	88,152	64,586	76,239	618,251
Due from other funds (Note 3)	529,837	26,879			5,513		562,229
Inventories		41,639					41,639
Total Assets	5,386,625	1,146,345	239,754	88,152	70,099	2,201,619	9,132,594
Liabilities and Fund Balances							
Liabilities							
Accounts payable & accrued liabilities	72,355	266	163			37	72,821
Due to other funds (Note 3)	4,381	82,685	239,591	88,152	70,099	63,195	548,103
Total Liabilities	76,736	82,951	239,754	88,152	70,099	63,232	620,924
Fund Balances							
Nonspendable							
Inventory		41,639					41,639
Permanent fund principal						563,853	563,853
Restricted							
Debt service						1,226,973	1,226,973
Capital projects						3,351	3,351
Forestry improvements						51,806	51,806
Unemployment benefits						55,000	55,000
Grant activities		1,021,755				237,404	1,259,159
Assigned							
School activities	33,536						33,536
Unassigned	5,276,353						5,276,353
Total Fund Balances	5,309,889	1,063,394	0	0	0	2,138,387	8,511,670
Total Liabilities and Fund Balances	\$ 5,386,625	1,146,345	239,754	88,152	70,099	2,201,619	9,132,594

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

LEFLORE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 8,511,670
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	149,099	
Buildings	11,096,653	
Building improvements	877,790	
Improvement other than buildings	187,648	
Mobile equipment	1,559,073	
Furniture and equipment	1,137,803	
Leased property under capital leases	737,300	
Accumulated depreciation	<u>(7,994,126)</u>	7,751,240
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		(35,845,566)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	5,798,045	
Deferred inflows of resources related to pensions	<u>(4,685,437)</u>	1,112,608
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds payable	(3,000,000)	
Notes payable	(1,025,000)	
Obligations under capital leases	(469,916)	
Compensated absences	(46,428)	
Accrued interest payable	<u>(138,823)</u>	<u>(4,680,167)</u>
Total Net Position - Governmental Activities		<u>\$ (23,150,215)</u>

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

LEFLORE COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2017

	Major Funds				Youth Detention Center Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Food Service Fund	Title I Basic Fund	EHA Part B Fund			
Revenues							
Local sources	\$ 4,863,057	49,149			65,353	371,736	5,349,295
State sources	10,564,188	17,505			66,667	981,757	11,630,117
Federal sources	118,180	1,981,569	2,228,010	682,112		855,560	5,865,431
Sixteenth section sources	941,984					17,701	959,685
Total Revenues	16,487,409	2,048,223	2,228,010	682,112	132,020	2,226,754	23,804,528
Expenditures							
Instruction	9,207,667		496,900	265,290	74,809	831,165	10,875,831
Support services	6,138,901	140,822	1,441,273	416,731	60,181	976,376	9,174,284
Noninstructional services		1,384,522	199,153	91		37,742	1,621,508
Sixteenth section	44,445					4,398	48,843
Facilities acquisition and construction						86,107	86,107
Debt service							
Principal (Note 6)						168,233	168,233
Interest						220,443	220,443
Other						1,950	1,950
Total Expenditures	15,391,013	1,525,344	2,137,326	682,112	134,990	2,326,414	22,197,199
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,096,396	522,879	90,684	0	(2,970)	(99,660)	1,607,329
Other Financing Sources (Uses)							
Insurance loss recoveries	15,045						15,045
Operating transfers in (Note 3)	211,719				2,970	179,029	393,718
Payment held by escrow agent						237,000	237,000
Operating transfers out (Note 3)	(181,999)	(115,000)	(90,684)			(6,035)	(393,718)
Payment to escrow agent						(237,000)	(237,000)
Other financing uses	(35,949)						(35,949)
Total Other Financing Sources (Uses)	8,816	(115,000)	(90,684)	0	2,970	172,994	(20,904)
Net Change in Fund Balances	1,105,212	407,879	0	0	0	73,334	1,586,425

Fund Balances

July 1, 2016, as previously reported	4,210,062	647,257	0	0	0	2,067,638	6,924,957
Prior period adjustments (Note 9)	(5,385)					(2,585)	(7,970)
July 1, 2016, as restated	<u>4,204,677</u>	<u>647,257</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,065,053</u>	<u>6,916,987</u>
Increase in reserve for inventory		<u>8,258</u>					<u>8,258</u>
June 30, 2017	<u>\$ 5,309,889</u>	<u>1,063,394</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,138,387</u>	<u>8,511,670</u>

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

LEFLORE COUNTY SCHOOL DISTRICT

Exhibit D-1

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, 2017

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ 1,586,425
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	145,026	
Depreciation expense	<u>(483,750)</u>	(338,724)
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 asset sold.		
		(5,364)
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	168,233	
Accrued interest payable	<u>(6,911)</u>	161,322
Reconciling items applicable to pension liability and related accounts:		
Pension contributions made subsequent to the measurement date	1,938,584	
Pension expense for the current year	<u>(3,981,840)</u>	(2,043,256)
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 the governmental funds. These activities include:		
Change in compensated absences	(8,996)	
Change in inventory reserve	<u>8,258</u>	<u>(738)</u>
Changes in Net Position of Governmental Activities		<u>\$ (640,335)</u>

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

LEFLORE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 985,047
Due from other funds (Note 3)	<u>1,410</u>
Total Assets	<u><u>986,457</u></u>
Liabilities	
Accounts payable and accrued liabilities	969,684
Due to other funds (Note 3)	15,536
Due to student clubs	<u>1,237</u>
Total Liabilities	<u><u>\$ 986,457</u></u>

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

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LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a state appointed Conservator.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

The school district reports the following major governmental funds:

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

Food Service Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated food service for students.

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

Title I Basic Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

EHA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

Youth Detention Center Fund - This special revenue fund is financed with local funds and is used to account for the activities associated with the youth detention center.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

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

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund 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
Construction in progress	0	0

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

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

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

7. Deferred outflows/inflows of resources

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities.

10. Pensions

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

11. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

descriptions of fund classifications used by the district:

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of 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 of education and/or the business manager pursuant to authorization established by the school board.

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 policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund.

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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(Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,022,457 and \$985,047, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012A	Aaa	Less than 1	\$ 888,018

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

The district has the following recurring fair value measurements as of June 30, 2017: The investments are valued using quoted market prices (Level 1 inputs).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the district had the following investments:

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012A	\$ 888,018	100%

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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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	Major fund - Food Service Fund	\$ 82,685
	Major fund - Title I Basic Fund	239,591
	Major fund - EHA Part B Fund	88,152
	Major fund - Youth Detention Center Fund	70,099
	Other governmental funds	36,316
	Fiduciary funds	12,994
Major fund - Food Service Fund	Other governmental funds	26,879
Major fund - Youth Detention Center Fund	General Fund	2,971
	Fiduciary funds	2,542
Fiduciary funds	General Fund	1,410
Total		<u>\$ 563,639</u>

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 179,029
	Major Fund - Youth Detention Center Fund	2,970
Major fund - Food Service Fund	General Fund	115,000
Major fund - Title I Basic Fund	General Fund	90,684
Other governmental funds	General Fund	6,035
Total		<u>\$ 393,718</u>

The transfer out of the General Fund was for the purpose of funding the unemployment compensation fund, building projects fund and the youth detention center. The transfers from the Major Funds to the General Fund were for indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$2,315,189 and \$888,018, respectively, which is legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

LEFLORE COUNTY SCHOOL DISTRICT
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	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 149,099				149,099
Construction-in-progress	300,995	86,107		(387,102)	0
Total non-depreciable capital assets	450,094	86,107	0	(387,102)	149,099
<u>Depreciable capital assets:</u>					
Buildings	10,709,551			387,102	11,096,653
Building improvements	877,790				877,790
Improvements other than buildings	187,648				187,648
Mobile equipment	1,538,214	53,769	(32,910)		1,559,073
Furniture and equipment	1,153,293	5,150	(20,640)		1,137,803
Leased property under capital leases	737,300				737,300
Total depreciable capital assets	15,203,796	58,919	(53,550)	387,102	15,596,267
<u>Less accumulated depreciation for:</u>					
Buildings	5,387,056	135,619			5,522,675
Building improvements	86,588	48,652			135,240
Improvements other than buildings	11,338	7,506			18,844
Mobile equipment	1,016,806	93,081	(29,619)		1,080,268
Furniture and equipment	857,703	132,535	(18,567)		971,671
Leased property under capital leases	199,071	66,357			265,428
Total accumulated depreciation	7,558,562	483,750	(48,186)	0	7,994,126
Total depreciable capital assets, net	7,645,234	(424,831)	(5,364)	387,102	7,602,141
Governmental activities capital assets, net	\$ 8,095,328	(338,724)	(5,364)	0	7,751,240

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 71,195
Support services	396,514
Non-instructional	16,041
Total depreciation expense - Governmental activities	\$ 483,750

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Three mill notes payable	1,125,000		100,000	1,025,000	105,000
B. Obligations under capital leases	538,149		68,233	469,916	69,739
C. Qualified school construction bonds payable	3,000,000			3,000,000	0
D. Compensated absences payable	37,432	8,996		46,428	2,322
Total	\$ 4,700,581	8,996	\$ 168,233	4,541,344	177,061

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, series 2015	1.12-2.85	7/15/2015	7/15/2025	<u>\$ 1,125,000</u>	<u>1,025,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 105,000	12,600	117,600
2019	105,000	13,940	118,940
2020	105,000	14,352	119,352
2021	110,000	14,262	124,262
2022	110,000	12,660	122,660
2023 - 2026	<u>490,000</u>	<u>30,454</u>	<u>520,454</u>
Total	<u>\$ 1,025,000</u>	<u>98,268</u>	<u>1,123,268</u>

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

B. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$819,200. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Purchase the vendor's interest upon giving notice (60 Days).
2. Acquire the buses upon payment of \$1.00 bargain purchase option at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master installment agreement - buses	3.45	8/16/2013	8/16/2022	<u>\$ 819,200</u>	<u>469,916</u>

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

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 69,739	15,740	85,479
2019	72,145	13,334	85,479
2020	74,634	10,845	85,479
2021	77,209	8,270	85,479
2022	79,873	5,606	85,479
2023	96,316	2,851	99,167
Total	<u>\$ 469,916</u>	<u>56,646</u>	<u>526,562</u>

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

This debt will be retired from the Building and Bus Fund (Special Revenue Fund).

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	6.3	12/1/2010	12/1/2025	<u>\$ 3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$	180,300	180,300
2019		180,300	180,300
2020		180,300	180,300
2021		180,300	180,300
2022		180,300	180,300
2023 - 2026	<u>3,000,000</u>	<u>721,200</u>	<u>3,721,200</u>
Total	<u>\$ 3,000,000</u>	<u>1,622,700</u>	<u>4,622,700</u>

This debt will be retired from the QSCB Note Debt Service Fund.

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.

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,938,584, \$2,021,853 and \$1,998,705, 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, 2017, the school district reported a liability of \$35,845,566 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was .200675 percent, which was based on a measurement date of June 30, 2016. This was a decrease of .002452 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,981,840. At June 30, 2017 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	\$ 712,522	0
Net difference between projected and actual earnings on pension plan investments	1,942,688	0

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	1,204,251	67,881
Changes in proportion and differences between District contributions and proportionate share of contributions	0	4,617,556
District contributions subsequent to the measurement date	1,938,584	0
Total	\$ <u>5,798,045</u>	<u>4,685,437</u>

\$1,938,584 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, 2018. 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 Ending June 30:	
2018	\$ (429,799)
2019	(429,799)
2020	(452,050)
2021	485,672

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. 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

LEFLORE COUNTY SCHOOL DISTRICT

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June 30, 2017

contributions will be made at the current employer contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 45,962,052	35,845,566	27,452,161

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

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2018	\$ 721,752
2019	635,252
2020	421,146
2021	231,246
2022	42,175
2023 – 2027	210,625
2028 – 2032	192,025
Thereafter	100,775
Total	<u>\$ 2,554,996</u>

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Error correction - prior year receivable	<u>\$ (7,970)</u>

LEFLORE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2017

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

Fund	Explanation	Amount
General Fund	Error correction - prior year receivable	\$ (5,385)
Other governmental funds	Error correction - prior year receivable	(2,585)
Total		<u>\$ (7,970)</u>

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

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

Note 12 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$153,335.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$888,018. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

LEFLORE COUNTY SCHOOL DISTRICT
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June 30, 2017

Year Ending June 30	Amount
2018	\$ 237,000
2019	237,000
2020	237,000
2021	237,000
2022	237,000
2023 – 2025	708,000
Total	<u>\$ 1,893,000</u>

Note 13 - Insurance loss recoveries

The School District received \$15,045 in insurance loss recoveries related to facility damage during the fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
<u>\$ 15,045</u>	<u>100%</u>	Support services

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$29,469,497) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

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 School District evaluated the activity of the district through February 8, 2018 and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

Note 16 – Consolidation of Leflore County School District and Greenwood Municipal School District

In accordance with House Bill 987, as passed by the Mississippi Legislature in the regular session of 2016, the Leflore County School District and the Greenwood Municipal School District will consolidate on July 1, 2019 to form the new district of Greenwood-Leflore School District. At such time the assets and liabilities of the two school districts will be consolidated and the Leflore County School District will cease to exist.

REQUIRED SUPPLEMENTARY INFORMATION

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LEFLORE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 4,975,864	5,077,962	4,863,057	102,098	(214,905)
State sources	10,523,140	10,564,188	10,564,188	41,048	0
Federal sources	151,539	118,180	118,180	(33,359)	0
Sixteenth section sources	890,292	941,984	941,984	51,692	0
Total Revenues	16,540,835	16,702,314	16,487,409	161,479	(214,905)
Expenditures					
Instruction	9,768,152	9,207,667	9,207,667	560,485	0
Support services	6,835,160	6,138,901	6,138,901	696,259	0
Sixteenth section	38,100	44,445	44,445	(6,345)	0
Total Expenditures	16,641,412	15,391,013	15,391,013	1,250,399	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,577)	1,311,301	1,096,396	1,411,878	(214,905)
Other Financing Sources (Uses)					
Insurance loss recoveries	0	15,045	15,045	15,045	0
Operating transfers in	1,053,567	1,040,319	211,719	(13,248)	(828,600)
Operating transfers out	(921,662)	(1,010,599)	(181,999)	(88,937)	828,600
Other financing uses	0	(35,949)	(35,949)	(35,949)	0
Total Other Financing Sources (Uses)	131,905	8,816	8,816	(123,089)	0
Net Change in Fund Balances			1,105,212		
Fund Balances					
July 1, 2016, as previously reported			4,210,062		
Prior period adjustments			(5,385)		
July 1, 2016, as restated			4,204,677		
June 30, 2017			\$ 5,309,889		

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

LEFLORE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Food Service Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 35,000	49,149	49,149	14,149	0
State sources	16,500	17,505	17,505	1,005	0
Federal sources	1,670,500	1,981,569	1,981,569	311,069	0
Total Revenues	<u>1,722,000</u>	<u>2,048,223</u>	<u>2,048,223</u>	<u>326,223</u>	<u>0</u>
Expenditures					
Support services	141,472	140,822	140,822	650	0
Noninstructional services	1,465,495	1,384,522	1,384,522	80,973	0
Total Expenditures	<u>1,606,967</u>	<u>1,525,344</u>	<u>1,525,344</u>	<u>81,623</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>115,033</u>	<u>522,879</u>	<u>522,879</u>	<u>407,846</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(115,000)	(115,000)	(115,000)	0	0
Total Other Financing Sources (Uses)	<u>(115,000)</u>	<u>(115,000)</u>	<u>(115,000)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>407,879</u>		
Fund Balances					
July 1, 2016			<u>647,257</u>		
Increase in reserve for inventory			<u>8,258</u>		
June 30, 2017			<u>\$ 1,063,394</u>		

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

LEFLORE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Basic Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 2,850,313	3,086,394	2,228,010	236,081	(858,384)
Total Revenues	<u>2,850,313</u>	<u>3,086,394</u>	<u>2,228,010</u>	<u>236,081</u>	<u>(858,384)</u>
Expenditures					
Instruction	894,694	867,397	496,900	27,297	370,497
Support services	1,620,644	1,828,695	1,441,273	(208,051)	387,422
Noninstructional services	244,975	283,139	199,153	(38,164)	83,986
Total Expenditures	<u>2,760,313</u>	<u>2,979,231</u>	<u>2,137,326</u>	<u>(218,918)</u>	<u>841,905</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>90,000</u>	<u>107,163</u>	<u>90,684</u>	<u>17,163</u>	<u>(16,479)</u>
Other Financing Sources (Uses)					
Operating transfers out	(90,000)	(107,163)	(90,684)	(17,163)	16,479
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(107,163)</u>	<u>(90,684)</u>	<u>(17,163)</u>	<u>16,479</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

LEFLORE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 789,515	824,515	682,112	35,000	(142,403)
Total Revenues	<u>789,515</u>	<u>824,515</u>	<u>682,112</u>	<u>35,000</u>	<u>(142,403)</u>
Expenditures					
Instruction	311,085	296,239	265,290	14,846	30,949
Support services	476,930	526,276	416,731	(49,346)	109,545
Noninstructional services	1,500	2,000	91	(500)	1,909
Total Expenditures	<u>789,515</u>	<u>824,515</u>	<u>682,112</u>	<u>(35,000)</u>	<u>142,403</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

LEFLORE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Youth Detection Center Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 168,992	65,353	65,353	(103,639)	0
State sources	60,474	66,667	66,667	6,193	0
Total Revenues	<u>229,466</u>	<u>132,020</u>	<u>132,020</u>	<u>(97,446)</u>	<u>0</u>
Expenditures					
Instruction	156,062	74,809	74,809	81,253	0
Support services	84,331	60,181	60,181	24,150	0
Total Expenditures	<u>240,393</u>	<u>134,990</u>	<u>134,990</u>	<u>105,403</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,927)</u>	<u>(2,970)</u>	<u>(2,970)</u>	<u>7,957</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	10,927	2,970	2,970	(7,957)	0
Total Other Financing Sources (Uses)	<u>10,927</u>	<u>2,970</u>	<u>2,970</u>	<u>(7,957)</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

LEFLORE COUNTY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.200675%	0.203127%	0.251643%
District's proportionate share of the net pension liability (asset)	<u>\$ 35,845,566</u>	<u>31,399,429</u>	<u>30,345,423</u>
District's covered payroll	<u>\$ 12,837,162</u>	<u>12,690,190</u>	<u>15,383,683</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>279.23%</u>	<u>247.43%</u>	<u>197.26%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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 the 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.

LEFLORE COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,938,584	2,021,853	1,998,705
Contributions in relation to the contractually required contribution	1,938,584	2,021,853	1,998,705
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 12,308,470	12,837,162	12,690,190
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

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LEFLORE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	\$ 488,951
National school lunch program	10.555	1,169,582
Summer food service program for children	10.559	18,237
Total child nutrition cluster		<u>1,676,770</u>
Total passed-through Mississippi Department of Education		<u>1,676,770</u>
Total U.S. Department of Agriculture		<u>1,676,770</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	2,551,072
Career and technical education - basic grants to states	84.048	50,180
Rural education	84.358	81,675
English language acquisition grants	84.365	122
Supporting effective instruction - state grants	84.367	168,311
Total		<u>2,851,360</u>
Special education cluster:		
Special education - grants to states	84.027	682,112
Special education - preschool grants	84.173	37,463
Total special education cluster		<u>719,575</u>
Total passed-through Mississippi Department of Education		<u>3,570,935</u>
Total U.S. Department of Education		<u>3,570,935</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	31,421
Total passed-through Mississippi Department of Education		<u>31,421</u>
Total U.S. Department of Health and Human Services		<u>31,421</u>
Total for All Federal Awards		<u>\$ 5,279,126</u>

The notes to the Supplementary Information are an integral part of this schedule.

LEFLORE COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LEFLORE COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,831,596	12,295,815	1,036,040	1,115,077	2,384,664
Other	5,365,603	1,527,022	465,216	10,547	3,362,818
Total	<u>22,197,199</u>	<u>13,822,837</u>	<u>1,501,256</u>	<u>1,125,624</u>	<u>5,747,482</u>
Total number of students	<u>2,240</u>				
Cost per student	<u>\$ 9,910</u>	<u>6,171</u>	<u>670</u>	<u>503</u>	<u>2,566</u>

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

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OTHER INFORMATION

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LEFLORE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 4,863,057	4,869,529	4,577,048	4,228,659
State sources	10,564,188	10,614,015	11,959,122	11,745,586
Federal sources	118,180	256,821	117,871	180,543
Sixteenth section sources	941,984	970,046	1,151,488	1,625,728
Total Revenues	16,487,409	16,710,411	17,805,529	17,780,516
Expenditures				
Instruction	9,207,667	9,097,882	9,354,958	11,369,692
Support services	6,138,901	6,900,422	6,667,674	8,854,326
Noninstructional services	0	0	0	17,277
Sixteenth section	44,445	44,533	6,371	16,225
Facilities acquisition and construction	0	0	466,010	0
Total Expenditures	15,391,013	16,042,837	16,495,013	20,257,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,096,396	667,574	1,310,516	(2,477,004)
Other Financing Sources (Uses)				
Inception of capital leases	0	0	0	819,200
Insurance loss recoveries	15,045	7,093	0	95,177
Sale of transportation equipment	0	0	0	13,093
Sale of other property	0	5,450	0	0
Operating transfers in	211,719	183,214	180,677	140,857
Operating transfers out	(181,999)	(41,389)	(889,119)	(230,410)
Other financing uses	(35,949)	0	0	(7,187)
Total Other Financing Sources (Uses)	8,816	154,368	(708,442)	830,730
Net Change in Fund Balances	1,105,212	821,942	602,074	(1,646,274)
Fund Balances				
Beginning of period, as previously reported	4,210,062	3,388,120	2,938,732	4,821,139
Prior period adjustments	(5,385)	0	(152,686)	(236,133)
Beginning of period, as restated	4,204,677	3,388,120	2,786,046	4,585,006
End of period	\$ 5,309,889	4,210,062	3,388,120	2,938,732

* Source - Prior year audit reports.

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

	UNAUDITED			
	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 5,349,295	5,286,723	4,931,171	4,570,360
State sources	11,630,117	11,875,549	12,490,575	12,618,035
Federal sources	5,865,431	6,208,697	6,908,994	5,996,342
Sixteenth section sources	959,685	970,721	1,152,328	1,653,603
Total Revenues	<u>23,804,528</u>	<u>24,341,690</u>	<u>25,483,068</u>	<u>24,838,340</u>
Expenditures				
Instruction	10,875,831	11,584,499	12,385,347	13,674,335
Support services	9,174,284	9,484,663	9,740,655	11,211,945
Noninstructional services	1,621,508	1,673,362	1,687,672	2,041,289
Sixteenth section	48,843	44,582	10,331	18,075
Facilities acquisition and construction	86,107	853,346	466,010	0
Debt service				
Principal	168,233	132,334	69,991	282,977
Interest	220,443	202,871	205,286	184,312
Other	1,950	14,125	1,950	1,950
Total Expenditures	<u>22,197,199</u>	<u>23,989,782</u>	<u>24,567,242</u>	<u>27,414,883</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,607,329</u>	<u>351,908</u>	<u>915,826</u>	<u>(2,576,543)</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	1,125,000	0	0
Inception of capital leases	0	0	0	819,200
Insurance loss recoveries	15,045	67,021	0	95,177
Sale of transportation equipment	0	0	0	13,093
Sale of other property	0	5,600	0	0
Operating transfers in	393,718	224,603	1,069,796	386,228
Payment held by escrow agent	237,000	237,000	237,000	80,000
Operating transfers out	(393,718)	(224,603)	(1,069,796)	(386,228)
Payment to refunded bond escrow agent	(237,000)	(237,000)	(237,000)	(80,000)
Other financing uses	(35,949)	0	0	(7,187)
Total Other Financing Sources (Uses)	<u>(20,904)</u>	<u>1,197,621</u>	<u>0</u>	<u>920,283</u>
Net Change in Fund Balances	<u>1,586,425</u>	<u>1,549,529</u>	<u>915,826</u>	<u>(1,656,260)</u>
Fund Balances				
Beginning of period, as previously reported	6,924,957	5,367,199	4,467,180	6,275,178
Prior period adjustments	(7,970)	0	(772)	(165,762)
Beginning of period, as restated	<u>6,916,987</u>	<u>5,367,199</u>	<u>4,466,408</u>	<u>6,109,416</u>
Increase (Decrease) in reserve for inventory	8,258	8,229	(15,035)	14,024
End of period	<u>\$ 8,511,670</u>	<u>6,924,957</u>	<u>5,367,199</u>	<u>4,467,180</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Interim Superintendent
Leflore County School District

I 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 Leflore County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Leflore County School District's basic financial statements, and have issued my report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Leflore County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leflore County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Leflore County 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leflore County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 8, 2018

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Interim Superintendent
Leflore County School District

Report on Compliance for Each Major Federal Program

I have audited Leflore County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Leflore County School District's major federal programs for the year ended June 30, 2017. Leflore County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Leflore County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 Leflore County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Leflore County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Leflore County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Leflore County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of

compliance, I considered Leflore County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Leflore County 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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2017-001] that I consider to be significant deficiency.

Leflore County School District's response to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Leflore County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 8, 2018

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

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Interim Superintendent
Leflore County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Leflore County School District as of and for the year ended June 30, 2017, which collectively comprise Leflore County School District's basic financial statements and have issued my report thereon dated February 8, 2018. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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.

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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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 interim superintendent and management, entities with accreditation overview, 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 8, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LEFLORE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. | Federal program identified as major program: | |
| | Title I grants to local educational agencies | |
| | CFDA #: 84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiency identified that is not considered to be a material weakness.

Program CFDA No.: 84.010 CFDA program title: Title I – grants to local educational agencies
Passed through the Mississippi Department of Education

Compliance Requirement: Allowable Cost, Cost Principles

CRITERIA: Uniform Guidance 200.400 (i), states that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records, in part, must: (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

CONDITION: The program director's salary was prorated based on an 85% federal and 15% local allocation. The allocation based on the time records was 55% federal and 45% local. This resulted in the federal program paying a disproportionate share of the salary.

LEFLORE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

CAUSE: The cause of the condition was an oversight by management to adjust the salary to reflect the supporting time records.

EFFECT OF CONDITION: This resulted in the federal program paying a disproportionate share of the salary.

QUESTIONED COSTS: \$27,375

PREVALENCE AND CONSEQUENCE OF THE AUDIT FINDING: This is considered an isolated incident.

RECOMMENDATION: It is recommended that the salary of personnel with allocated salaries (federal and nonfederal) be supported by the time records.

AUDITEE'S CORRECTIVE ACTION PLAN

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Leflore County School District

MR. JAMES JOHNSON-WALDINGTON

INTERIM SUPERINTENDENT

1901 hwy 82 west * greenwood, ms 38930
662-453-8566 (office) * 662-459-7265 (fax)

Corrective Action Plan

February 8, 2018

As required by 2 CFR 200.511 (a), the Leflore County School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Finding 2017-001

Corrective Action Plan

- a. Contact person responsible for corrective action:
Cynthia House, Federal Programs Director

Carroll Mason III, Business Manager
- b. Description of correction action to be taken:
The district will implement procedures to analyze actual time worked on federal program assignments versus non-federal program assignments using the Personnel Activity Report (PAR Form). This information will be compared to the recorded payroll expense per the general ledger. Any recognized difference will be corrected by way of a journal entry where determined appropriate in accordance with the approved federal program award. This tasks will be performed at the end of each quarter of the fiscal year.
- c. Anticipated completion date of corrective action:
March 31st 2018

Sincerely,


James Johnson-Waldington

Interim Superintendent of Education

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