



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



SUNFLOWER COUNTY  
CONSOLIDATED SCHOOL DISTRICT  
Audited Financial Statements  
For the Year Ended June 30, 2017

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	13
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	14
Exhibit B – Statement of Activities	15
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	16
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	18
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	20
Exhibit E – Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule – General Fund	42
Budgetary Comparison Schedule – Title I Fund	43
Budgetary Comparison Schedule – IDEA Part B Fund	44
Budgetary Comparison Schedule – Twenty-First Century Fund	45
Schedule of the District's Proportionate Share of the Net Pension Liability	46
Schedule of the District Contributions	47
Notes to the Required Supplementary Information	48
SUPPLEMENTARY INFORMATION	49
Schedule of Expenditures of Federal Awards	50
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	52
OTHER INFORMATION	53
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	54
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	55
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	56
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 <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS	66

INDEPENDENT AUDITOR'S REPORT



## McKENZIE CPA, PLLC

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

### INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Sunflower County Consolidated School District

#### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County Consolidated 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 41-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the Sunflower County Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sunflower County Consolidated 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 Sunflower County Consolidated School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
March 16, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS



**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

The following discussion and analysis of Sunflower County Consolidated School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$1,577,887, including a prior period adjustment of \$28,442, which represents a 10% decrease from fiscal year 2016. Total net position for 2016 increased \$2,408,940 which represents a 13% increase from fiscal year 2015.
- General revenues amounted to \$30,972,114 and \$30,783,060, or 74% and 72% 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 \$11,111,005, or 26% of total revenues for 2017, and \$12,198,814, or 28% of total revenues for 2016.
- The District had \$43,689,448 and \$40,572,933 in expenses for fiscal years 2017 and 2016; only \$11,111,005 for 2017 and \$12,198,814 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,972,114 for 2017 were not adequate to provide for these programs and \$30,783,060 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$29,140,831 in revenues and \$28,346,651 in expenditures for 2017, and \$28,538,841 in revenues and \$26,853,137 in expenditures in 2016. The General Fund's fund balance increased by \$617,327 from 2016 to 2017, and increased by \$1,976,448 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$122,176 for 2017 and decreased by \$61,030 for 2016. The decrease for 2017 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,063,670 for 2017 and decreased by \$1,153,086 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,604 for 2017 and decreased by \$25,264 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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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 New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$17,434,220 as of June 30, 2017.

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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	\$ 19,088,117	\$ 18,233,907	4.68 %
Restricted assets	158,926	146,491	8.49 %
Capital assets, net	13,101,243	13,223,419	(0.92) %
<b>Total assets</b>	<b>32,348,286</b>	<b>31,603,817</b>	<b>2.36 %</b>
 <b>Deferred outflows of resources</b>	 <b>10,972,574</b>	 <b>6,414,639</b>	 <b>71.06 %</b>
 Current liabilities	 187,877	 334,688	 (43.87) %
Long-term debt outstanding	2,057,144	3,120,814	(34.08) %
Net pension liability	58,354,991	48,745,036	19.71 %
<b>Total liabilities</b>	<b>60,600,012</b>	<b>52,200,538</b>	<b>16.09 %</b>
 <b>Deferred inflows of resources</b>	 <b>155,068</b>	 <b>1,674,251</b>	 <b>(90.74) %</b>
 <b>Net position:</b>			
Net investment in capital assets	11,816,576	11,027,686	7.15 %
Restricted	2,394,492	3,152,655	(24.05) %
Unrestricted	(31,645,288)	(30,036,674)	(5.36) %
<b>Total net position</b>	<b>\$ (17,434,220)</b>	<b>\$ (15,856,333)</b>	<b>(9.95) %</b>

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)	\$ (31,645,288)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	47,537,485
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 15,892,197</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 \$122,176.
- The principal retirement of \$1,057,066 of long-term debt.
- Recognition of the net pension liability in the amount of \$58,354,991.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$42,083,119 and \$42,981,874, respectively. The total cost of all programs and services was \$43,689,448 for 2017 and \$40,572,933 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 677,280	\$ 526,659	28.60 %
Operating grants and contributions	10,433,725	11,672,155	(10.61) %
General revenues:			
Property taxes	9,285,995	8,621,068	7.71 %
Grants and contributions not restricted	20,500,447	20,421,769	0.39 %
Investment earnings	137,521	126,680	8.56 %
Sixteenth section sources	924,411	827,214	11.75 %
Other	123,740	786,329	(84.26) %
<b>Total revenues</b>	<b>42,083,119</b>	<b>42,981,874</b>	<b>(2.09) %</b>
<b>Expenses:</b>			
Instruction	17,952,329	17,804,518	0.83 %
Support services	16,105,146	15,929,305	1.10 %
Non-instructional	2,775,111	2,908,477	(4.59) %
Sixteenth section	219	5	4,280.00 %
Pension expense	6,744,105	3,756,972	79.51 %
Interest on long-term liabilities	112,538	173,656	(35.19) %
<b>Total expenses</b>	<b>43,689,448</b>	<b>40,572,933</b>	<b>7.68 %</b>
<b>Increase (Decrease) in net position</b>	<b>(1,606,329)</b>	<b>2,408,941</b>	<b>(166.68) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(15,856,333)</b>	<b>(18,265,273)</b>	13.19 %
<b>Prior Period Adjustment</b>	<b>28,442</b>	<b>(1)</b>	2,844,300.00 %
<b>Net Position, July 1, as restated</b>	<b>(15,827,891)</b>	<b>(18,265,274)</b>	13.34 %
<b>Net Position, June 30</b>	<b>\$ (17,434,220)</b>	<b>\$ (15,856,333)</b>	<b>(9.95) %</b>

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**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**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 17,952,329	\$ 17,804,518	0.83 %
Support services	16,105,146	15,929,305	1.10 %
Non-instructional	2,775,111	2,908,477	(4.59) %
Sixteenth section	219	5	4,280.00 %
Pension Expense	6,744,105	3,756,972	79.51 %
Interest on long-term liabilities	112,538	173,656	(35.19) %
<b>Total expenses</b>	<b>\$ 43,689,448</b>	<b>\$ 40,572,933</b>	<b>7.68 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (14,162,283)	\$ (13,351,374)	(6.07) %
Support services	(12,054,090)	(11,457,816)	(5.20) %
Non-instructional	494,792	365,704	35.30 %
Sixteenth section	(219)	(5)	(4,280.00) %
Pension Expense	(6,744,105)	(3,756,972)	(79.51) %
Interest on long-term liabilities	(112,538)	(173,656)	35.19 %
<b>Total net (expense) revenue</b>	<b>\$ (32,578,443)</b>	<b>\$ (28,374,119)</b>	<b>(14.82) %</b>

- Net cost of governmental activities (\$32,578,443 for 2017 and \$28,374,119 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$9,285,995 for 2017 and \$8,621,068 for 2016) and state and federal revenues (\$20,500,447 for 2017 and \$20,421,769 for 2016). In addition, there was \$924,411 and \$827,214 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$137,521 for 2017 and \$126,680 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 \$19,074,699, an increase of \$1,002,309, which includes a prior period adjustment of (\$6,043) and an increase in inventory of \$5,048. \$16,417,349, or 86% of the fund balance is unassigned, which represents the residual classification for the

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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 \$2,657,350, or 14% is either non-spendable, 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 \$617,327, including a prior period adjustment of (\$6,065). The fund balance of Other Governmental Funds showed an increase in the amount of \$384,982, which includes a prior period adjustment of \$22 and an increase in inventory of \$5,048. The increase (decrease) in the fund balances for the other major funds were as follows:

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

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$29,746,726, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$145,404 from 2016. Total accumulated depreciation as of June 30, 2017, was \$16,645,483, and total depreciation expense for the year was \$715,780, resulting in total net capital assets of \$13,101,243.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 469,504	\$ 474,304	(1.01) %
Buildings	9,796,262	10,115,201	(3.15) %
Building improvements	1,064,198	1,120,900	(5.06) %
Improvements other than buildings	80,813	83,490	(3.21) %
Mobile equipment	1,359,377	1,088,058	24.94 %
Furniture and equipment	331,089	341,466	(3.04) %
<b>Total</b>	<b>\$ 13,101,243</b>	<b>\$ 13,223,419</b>	<b>(0.92) %</b>

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$2,057,144 in outstanding long-term debt, of which \$1,107,738 is due within one year. During the fiscal year, the District made principal payments totaling \$1,057,066 on outstanding long-term debt. The liability for compensated absences decreased \$6,604 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	\$ 875,000	\$ 1,715,000	(48.98) %
Three mill notes payable	647,000	793,000	(18.41) %
Obligations under energy efficiency leases	409,667	480,733	(14.78) %
Compensated absences payable	125,477	132,081	(5.00) %
<b>Total</b>	<b><u>\$ 2,057,144</u></b>	<b><u>\$ 3,120,814</u></b>	<b><u>(34.08) %</u></b>

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



## FINANCIAL STATEMENTS

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 16,673,104
Due from other governments	2,382,876
Inventories	32,137
Restricted assets	158,926
Capital assets, non-depreciable:	
Land	469,504
Capital assets, net of accumulated depreciation:	
Buildings	9,796,262
Building improvements	1,064,198
Improvements other than buildings	80,813
Mobile equipment	1,359,377
Furniture and equipment	331,089
Total Assets	<u>32,348,286</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	10,972,574
Total Deferred Outflows of Resources	<u>10,972,574</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	147,524
Unearned revenue	24,820
Interest payable on long-term liabilities	15,533
Long-term liabilities, due within one year:	
Capital related liabilities	949,464
Non-capital related liabilities	158,274
Long-term liabilities, due beyond one year:	
Capital related liabilities	335,203
Non-capital related liabilities	614,203
Net pension liability	58,354,991
Total Liabilities	<u>60,600,012</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	155,068
Total Deferred Inflows of Resources	<u>155,068</u>
<b>Net Position</b>	
Net investment in capital assets	11,816,576
Restricted for:	
Expendable:	
School-based activities	1,503,166
Debt service	760,740
Forestry improvements	7,548
Unemployment benefits	41,880
Non-expendable:	
Sixteenth section	81,158
Unrestricted	(31,645,288)
Total Net Position (deficit)	<u>\$ (17,434,220)</u>

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
<b>Governmental Activities:</b>					
Instruction	\$ 17,952,329	\$ 464,475	\$ 3,325,571	\$ -	\$ (14,162,283)
Support services	16,105,146	51,703	3,999,353	-	(12,054,090)
Non-instructional	2,775,111	161,102	3,108,801	-	494,792
Sixteenth section	219	-	-	-	(219)
Pension expense	6,744,105	-	-	-	(6,744,105)
Interest on long-term liabilities	112,538	-	-	-	(112,538)
<b>Total Governmental Activities</b>	<b>\$ 43,689,448</b>	<b>\$ 677,280</b>	<b>\$ 10,433,725</b>	<b>\$ -</b>	<b>\$ (32,578,443)</b>

**General Revenues:**

**Taxes:**

General purpose levies 9,076,742

Debt purpose levies 209,253

**Unrestricted grants and contributions:**

State 19,549,113

Federal 951,334

Unrestricted investment earnings 137,521

Sixteenth section sources 924,411

Other 123,740

**Total General Revenues 30,972,114**

**Change in Net Position (1,606,329)**

Net Position - Beginning, as previously reported (15,856,333)

Prior Period Adjustments 28,442

**Net Position - Beginning, as restated (15,827,891)**

**Net Position (deficit) - Ending \$ (17,434,220)**

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2017**

**Exhibit C**

	Major Funds						
	General Fund	Title I Basic Fund	IDEA Part B Fund	Twenty - First Century Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 14,964,391	\$ 5,172	\$ 1,608	\$	\$ 1,751,524	\$	16,722,695
Cash with fiscal agents					77,768		77,768
Investments					31,567		31,567
Due from other governments	344,533	429,470	220,078	339,441	954,236		2,287,758
Due from other funds	1,491,300				-		1,491,300
Advance to other funds	75,000				-		75,000
Inventories					32,137		32,137
Total assets	\$ 16,875,224	\$ 434,642	\$ 221,686	339,441	\$ 2,847,232	\$	20,718,225
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 135,550	\$ 964	\$ 2,674	\$	\$ 8,336	\$	147,524
Due to other funds		433,678	219,012	339,441	479,051		1,471,182
Unavailable revenue - federal programs					24,820		24,820
Total Liabilities	135,550	434,642	221,686	339,441	512,207		1,643,526
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory					32,137		32,137
Permanent fund principal					81,158		81,158
Advances	75,000				-		75,000
<b>Restricted:</b>							
Debt service					776,273		776,273
Forestry improvement purposes					7,548		7,548
Unemployment benefits					41,880		41,880
Grant activities					1,396,029		1,396,029
<b>Assigned:</b>							
Capital improvements	172,919						172,919
Activity Funds	74,406				-		74,406
<b>Unassigned</b>	16,417,349				-		16,417,349
Total Fund Balances	16,739,674	-	-	-	2,335,025		19,074,699
Total Liabilities and Fund Balances	\$ 16,875,224	\$ 434,642	\$ 221,686	339,441	\$ 2,847,232	\$	20,718,225

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 19,074,699**

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

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

Land	\$ 469,504	
Buildings	21,163,254	
Building improvements	1,603,537	
Improvements other than buildings	257,687	
Mobile equipment	3,800,217	
Furniture and equipment	2,452,527	
Accumulated depreciation	<u>(16,645,483)</u>	13,101,243

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

Net pension liability	(58,354,991)	
-----------------------	--------------	--

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	10,972,574	
Deferred inflows of resources related to pensions	<u>(155,068)</u>	(47,537,485)

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

Limited obligation bonds	(875,000)	
Notes payable	(647,000)	
Obligation under energy efficiency leases	(409,667)	
Compensated absences	(125,477)	
Accrued interest payable	<u>(15,533)</u>	(2,072,677)

<b>Net Position of governmental activities</b>		<b>\$ <u>(17,434,220)</u></b>
--	--	-------------------------------

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Exhibit D**

**June 30, 2017**

	Major Funds					
	General	Title I Basic	IDEA Part B	Twenty-First	Other	Total
	Fund	Fund	Fund	Century	Governmental	Governmental
				Fund	Funds	Funds
<b>Revenues:</b>						
Local sources	\$ 9,757,242	\$	\$ 168	\$	\$ 716,427	\$ 10,473,837
State sources	17,784,986				2,879,611	20,664,597
Federal sources	634,573	3,182,829	999,557		5,161,918	9,978,877
Sixteenth section sources	964,030				515	964,545
<b>Total Revenues</b>	<b>29,140,831</b>	<b>3,182,829</b>	<b>999,725</b>	<b>-</b>	<b>8,758,471</b>	<b>42,081,856</b>
<b>Expenditures:</b>						
Instruction	15,453,354	1,542,915	322,692		2,281,567	19,600,528
Support services	12,881,133	1,388,099	659,201		2,516,962	17,445,395
Noninstructional services	11,945	186,575			2,676,671	2,875,191
Sixteenth section	219				-	219
Debt service:						
Principal					1,057,066	1,057,066
Interest					119,485	119,485
Other					4,200	4,200
<b>Total Expenditures</b>	<b>28,346,651</b>	<b>3,117,589</b>	<b>981,893</b>	<b>-</b>	<b>8,655,951</b>	<b>41,102,084</b>
Excess (Deficiency) of Revenues over (under) Expenditures	794,180	65,240	17,832	-	102,520	979,772
<b>Other Financing Sources (Uses):</b>						
Insurance recovery	1,263				-	1,263
Sale of transportation equipment	75				-	75
Sale of other property	24,000				-	24,000
Operating transfers in	215,258				409,578	624,836
Operating transfers out	(409,578)	(65,240)	(17,832)		(132,186)	(624,836)
Other financing uses	(1,806)				-	(1,806)
<b>Total Other Financing Sources (Uses)</b>	<b>(170,788)</b>	<b>(65,240)</b>	<b>(17,832)</b>	<b>-</b>	<b>277,392</b>	<b>23,532</b>
<b>Net Change in Fund Balances</b>	<b>623,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>379,912</b>	<b>1,003,304</b>
<b>Fund Balances:</b>						
July 1, 2016, as previously reported	16,122,347	-	-	-	1,950,043	18,072,390
Prior period adjustments	(6,065)				22	(6,043)
July 1, 2016, as restated	16,116,282	-	-	-	1,950,065	18,066,347
Increase (Decrease) in inventory					5,048	5,048
<b>June 30, 2017</b>	<b>\$ 16,739,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 2,335,025</b>	<b>\$ 19,074,699</b>

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 1,003,304**

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

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

Capital outlay	\$ 591,008	
Depreciation expense	<u>(715,780)</u>	(124,772)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (31,889)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,057,066	
Accrued interest payable	<u>11,147</u>	1,068,213

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

Recording of pension expense for the current period	(6,744,105)	
Recording of contributions made subsequent to the measurement date	<u>3,211,268</u>	(3,532,837)

5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	6,604	
Change in inventory	<u>5,048</u>	11,652

<b>Change in Net Position of governmental activities</b>	<b><u>\$ (1,606,329)</u></b>
--	------------------------------

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Fiduciary Funds**

**Statement of Fiduciary Net Position**  
**June 30, 2017**

**Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 3,541	\$ 1,788,627
Investments		
Accrued interest receivable		
Due from other funds		
Due from other governments		
Total Assets	<u>3,541</u>	<u>\$ 1,788,627</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 1,687,933
Due to other funds		20,118
Advance from other funds		75,000
Due to student clubs		5,575
Total Liabilities	<u>-</u>	<u>\$ 1,788,627</u>
<b>Net Position</b>		
Reserved for endowments		
Held in trust	<u>3,541</u>	
Total Net Position	<u>\$ 3,541</u>	

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



**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position** **Exhibit F**  
**For the Year Ended June 30, 2017**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 30
Total Additions	<u>30</u>
<b>Deductions</b>	
Scholarships awarded	
Total Deductions	<u>-</u>
Change in Net Position	<u>30</u>
<b>Net Position</b>	
July 1, 2016	<u>3,511</u>
June 30, 2017	<u><u>\$ 3,541</u></u>

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended 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 five member board to which each member is elected by the citizens of each defined county district.

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

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

IDEA PART B Fund – This is the school district's federal reimbursable fund that serves to fund special education needs to children within the district.

Twenty-First Century Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred under the 21<sup>st</sup> Century Community Learning program.

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

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

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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.

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

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

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

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

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

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

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

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

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

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

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

**1. Cash, Cash equivalents and Investments**

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 11 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 11 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

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

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.



SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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

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

**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 \$16,722,695 and \$1,792,168, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$16,673,104 and a portion of restricted assets in the amount of \$49,591 (see Note 4).

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$17,020,285 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$77,768.

**Investments**

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	2	\$ 31,567
Total			<u>\$ 31,567</u>

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

The district has Level 1 inputs for June 30, 2017.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

*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.

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

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

#### A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 433,678
General Fund	IDEA PART B Fund	219,012
General Fund	21st Century Fund	339,441
General Fund	Other Governmental Funds	479,051
General Fund	Fiduciary Funds	20,118
Total		<u>\$ 1,491,300</u>

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

#### B. Advances To/From Other Funds

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 409,578
Title I Basic Fund	General Fund	65,240
IDEA Part B	General Fund	17,832
Other Governmental Funds	General Fund	132,186
Total		<u>\$ 624,836</u>

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investments totaling \$49,591 and \$31,567 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, restricted assets also represent the cash with fiscal agent balance totaling \$77,768 of the MAEP Retirement Fund.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 5 – Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 474,304	\$	\$ 4,800	\$	\$ 469,504
Total non-depreciable capital assets	474,304	-	4,800	-	469,504
<u>Depreciable capital assets:</u>					
Buildings	21,163,254				21,163,254
Building improvements	1,603,537				1,603,537
Improvements other than buildings	257,687				257,687
Mobile equipment	3,568,133	521,191	250,335	(38,772)	3,800,217
Furniture and equipment	2,534,407	69,817	205,425	53,728	2,452,527
Total depreciable capital assets	29,127,018	591,008	455,760	14,956	29,277,222
<u>Less accumulated depreciation for:</u>					
Buildings	11,048,053	318,938		1	11,366,992
Building improvements	482,637	56,702			539,339
Improvements other than buildings	174,197	2,677			176,874
Mobile equipment	2,480,075	210,188	225,301	(24,122)	2,440,840
Furniture and equipment	2,192,941	127,275	203,370	4,592	2,121,438
Total accumulated depreciation	16,377,903	715,780	428,671	(19,529)	16,645,483
Total depreciable capital assets, net	12,749,115	(124,772)	27,089	34,485	12,631,739
Governmental activities capital assets, net	\$ 13,223,419	\$ (124,772)	\$ 31,889	\$ 34,485	13,101,243

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

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 251,040
Support services	420,569
Non-instructional	44,171
Total depreciation expense - Governmental activities	<u>\$ 715,780</u>

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**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. Limited obligation bonds payable	1,715,000	-	840,000	875,000	875,000
B. Three mill notes payable	793,000	-	146,000	647,000	152,000
C. Obligations under energy efficiency leases	480,733	-	71,066	409,667	74,464
D. Compensated absences payable	132,081	-	6,604	125,477	6,274
Total	\$ 3,120,814	\$ -	\$ 1,063,670	\$ 2,057,144	\$ 1,107,738

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, series 1998	4.80%	3/17/1998	3/17/2018	\$ 1,335,000	\$ 110,000
State aid capital improvement refunding bonds, series 2007	4.6-4.75%	3/1/2007	3/1/2018	3,910,000	460,000
State aid capital improvement refunding bonds, series 2009	2.5-3%	2/27/2009	3/1/2018	2,415,000	305,000
Total				<u>\$ 7,660,000</u>	<u>\$ 875,000</u>

Limited obligation bonds issued March 17, 1998:

Year Ending June 30	Principal	Interest	Total
2018	\$ 110,000	\$ 5,280	\$ 115,280
Total	<u>\$ 110,000</u>	<u>\$ 5,280</u>	<u>\$ 115,280</u>

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

Limited obligation bonds issued March 1, 2007:

Year Ending June 30	Principal	Interest	Total
2018	\$ 460,000	\$ 17,756	\$ 477,756
Total	<u>\$ 460,000</u>	<u>\$ 17,756</u>	<u>\$ 477,756</u>

Limited obligation bonds issued February 27, 2009:

Year Ending June 30	Principal	Interest	Total
2018	\$ 305,000	\$ 9,150	\$ 314,150
Total	<u>\$ 305,000</u>	<u>\$ 9,150</u>	<u>\$ 314,150</u>

Total Limited obligation bonds payable for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 875,000	\$ 32,186	\$ 907,186
Total	<u>\$ 875,000</u>	<u>\$ 32,186</u>	<u>\$ 907,186</u>

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

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

**B. Three mill notes payable**

Three mill notes payable currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2011	4.05%	5/17/2011	5/17/2021	1,064,000	647,000
Total				<u>\$ 1,064,000</u>	<u>\$ 647,000</u>

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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

2018	\$	152,000	\$	26,204	\$	178,204
2019		158,000		20,048		178,048
2020		165,000		13,649		178,649
2021		172,000		6,967		178,967
Total	\$	647,000	\$	66,868	\$	713,868

**C. Obligations under energy efficiency leases**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	4.68%	8/14/2007	6/1/2022	\$ 1,000,226	\$ 409,667
Total				<u>\$ 1,000,226</u>	<u>\$ 409,667</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 74,464	\$ 19,589	\$ 94,053
2019	78,024	16,028	94,052
2020	81,755	12,298	94,053
2021	85,664	8,388	94,052
2022	89,760	4,292	94,052
Total	<u>\$ 409,667</u>	<u>\$ 60,595</u>	<u>\$ 470,262</u>

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

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

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

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**D. Compensated absences payable**

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

**Note 7 – 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 \$3,211,268, \$3,291,619 and \$3,102,928, 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**



SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

At June 30, 2017, the school district reported a liability of \$58,354,991 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 0.326690 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.011352 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 \$6,744,105. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,619,263	\$
Net difference between projected and actual earnings on pension plan investments	3,486,655	
Changes of assumptions	2,655,388	155,068
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	3,211,268	
Total	\$ <u>10,972,574</u>	\$ <u>155,068</u>

\$3,211,268 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	\$ 2,368,656
2019	1,826,743
2020	2,258,023
2021	1,152,816

*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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

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>	<u>%</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 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 74,824,182	\$ 58,354,991	\$ 44,690,901

*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.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 852,630
2019	701,000
2020	701,000
2021	245,338
2022	962
2023-2030	3,720
2031-2085	5,850
Total	<u>\$ 2,510,500</u>

### Note 9 – Contingencies

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

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

### Note 10 – Risk Management

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

#### 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 up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2017

**Note 11 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$31,645,288) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,211,268 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$7,761,306 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$155,068 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 years.

**Note 12 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Sunflower County Consolidated School District evaluated the activity of the district through March 16, 2018, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**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
<b>Revenues:</b>					
Local sources	\$ 8,868,650	\$ 9,757,242	\$ 9,757,242	\$ 888,592	\$ -
State sources	18,320,186	17,784,986	17,784,986	(535,200)	-
Federal sources	220,471	634,573	634,573	414,102	-
Sixteenth section sources	850,000	964,030	964,030	114,030	-
Total Revenues	28,259,307	29,140,831	29,140,831	881,524	-
<b>Expenditures:</b>					
Instruction	15,109,226	15,453,354	15,453,354	(344,128)	-
Support services	12,426,592	12,881,133	12,881,133	(454,541)	-
Noninstructional services	10,000	11,945	11,945	(1,945)	-
Sixteenth section	1,020	219	219	801	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	27,546,838	28,346,651	28,346,651	(799,813)	-
Excess (Deficiency) of Revenues over (under) Expenditures	712,469	794,180	794,180	81,711	-
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	1,263	1,263	1,263	-
Sale of transportation equipment		75	75	75	-
Sale of other property	-	24,000	24,000	24,000	-
Operating transfers in	220,418	215,258	215,258	(5,160)	-
Operating transfers out	(160,605)	(409,579)	(409,578)	(248,974)	1
Other financing uses		(1,805)	(1,806)	(1,805)	(1)
Total Other Financing Sources (Uses)	59,813	(170,788)	(170,788)	(230,601)	-
Net Change in Fund Balances	772,282	623,392	623,392	(148,890)	-
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	16,122,347	16,122,347	16,122,347	-	-
Prior period adjustments			(6,065)	-	(6,065)
July 1, 2016 as restated	16,122,347	16,122,347	16,116,282	-	(6,065)
June 30, 2017	\$ 16,894,629	\$ 16,745,739	\$ 16,739,674	\$ (148,890)	\$ -

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I 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
<b>Revenues:</b>					
Federal sources	\$ 2,906,322	\$ 3,806,322	\$ 3,182,829	\$ 900,000	\$ (623,493)
Total Revenues	2,906,322	3,806,322	3,182,829	900,000	(623,493)
<b>Expenditures:</b>					
Instruction	1,540,460	1,830,329	1,542,915	(289,869)	287,414
Support services	1,104,255	1,540,197	1,388,099	(435,942)	152,098
Noninstructional services	188,882	198,141	186,575	(9,259)	11,566
Total Expenditures	2,833,597	3,568,667	3,117,589	(735,070)	451,078
Excess (Deficiency) of Revenues over (under) Expenditures	72,725	237,655	65,240	164,930	(172,415)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(72,686)	(175,821)	(65,240)	(103,135)	110,581
Total Other Financing Sources (Uses)	(72,686)	(175,821)	(65,240)	(103,135)	110,581
Net Change in Fund Balances	39	61,834	-	61,795	(61,834)
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ 39	\$ 61,834	\$ -	\$ 61,795	\$ (61,834)

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**

**IDEA 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
<b>Revenues:</b>					
Local sources	\$	\$	\$ 168	\$ -	\$ 168
Federal sources	1,456,724	1,464,730	999,557	8,006	(465,173)
Total Revenues	1,456,724	1,464,730	999,725	8,006	(465,005)
<b>Expenditures:</b>					
Instruction	455,677	441,367	322,692	14,310	118,675
Support services	973,043	984,599	659,201	(11,556)	325,398
Noninstructional services	5,000	5,000		-	5,000
Total Expenditures	1,433,720	1,430,966	981,893	2,754	449,073
Excess (Deficiency) of Revenues over (under) Expenditures	23,004	33,764	17,832	10,760	(15,932)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(23,004)	(33,764)	(17,832)	(10,760)	15,932
Total Other Financing Sources (Uses)	(23,004)	(33,764)	(17,832)	(10,760)	15,932
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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



**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Twenty-First Century Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 400,000	\$ 973,867	\$ -	\$ 573,867	\$ (973,867)
Total Revenues	400,000	973,867	-	573,867	(973,867)
<b>Expenditures:</b>					
Instruction	400,000	797,892		(397,892)	797,892
Support services		161,825		(161,825)	161,825
Noninstructional services				-	-
Total Expenditures	400,000	959,717	-	(559,717)	959,717
Excess (Deficiency) of Revenues over (under) Expenditures	-	14,150	-	14,150	(14,150)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out		(14,150)		(14,150)	14,150
Total Other Financing Sources (Uses)	-	(14,150)	-	(14,150)	14,150
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

**Sunflower County Consolidated School District**  
**Required Supplementary Information**  
**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)	\$ 58,354,991	\$	48,745,036	\$	41,633,919
District's proportionate share of the net pension liability (asset)	0.326690%		0.315338%		0.343087%
District's covered payroll	\$ 20,899,168	\$	19,701,130	\$	20,964,400
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.2216%		247.4225%		198.5934%
Plan fiduciary net position as a percentage of the total pension liability	57.468%		61.704%		67.208%

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

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

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

**Sunflower County Consolidated School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,211,268	\$ 3,291,619	\$ 3,102,928
Contributions in relation to the contractually required contribution	3,211,268	3,291,619	3,102,928
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
District's covered payroll	\$ 20,389,003	\$ 20,899,168	\$ 19,701,130
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 FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Notes to 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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Supplementary Information**

**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
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 811,940
National school lunch program	10.555	1,975,752
Total child nutrition cluster		<u>2,787,692</u>
Total passed-through Mississippi Department of Education		<u>2,787,692</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,787,692</u>
<b><u>U.S. Department of Defense</u></b>		
Direct program		
Reserve officers' training corps	12.xxx	<u>54,433</u>
<b>Total U.S. Department of Defense</b>		<u>54,433</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	3,441,851
Career and technical education - basic grants to states	84.048	21,637
Rehabilitation Services Vocational Rehabilitation grants to states	84.126	1,546
Fund for the improvement of education - delta health alliance	84.215	98,159
21st century community learning	84.287	122,370
Higher Educational Aid	84.031	35,003
Educator in residence	84.357	336,193
Rural Education	84.358	64,806
Supporting Effective Instruction state grants	84.367	547,104
School improvement grants	84.377	583,864
Subtotal		<u>5,252,533</u>
Special education cluster:		
Special education - grants to states	84.027	999,847
Special education - preschool grants	84.173	21,488
Total special education cluster		<u>1,021,335</u>
Total passed-through Mississippi Department of Education		<u>6,273,868</u>
<b>Total U.S. Department of Education</b>		<u>6,273,868</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	104,361
Total passed-through Mississippi Department of Education		<u>104,361</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>104,361</u>
Total for All Federal Awards		<u>\$ 9,220,354</u>

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

# SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT

## Notes to the Supplementary Information

For the Year Ended June 30, 2017

### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Sunflower County Consolidated 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 Sunflower County Consolidated School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Sunflower County Consolidated School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

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

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities are included in the National School Lunch Program.

E-rate funds in the amount of \$474,232 have not been included on this schedule due to the fact the FCC considers the support to be in the form of providing a discount to the schools and libraries and does not consider the assistance to be direct financial support.

### Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

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

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Supplementary Information**

**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 Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 29,875,885	21,559,720	1,647,729	2,287,738	4,380,698
Other	11,226,199	4,120,226	510,880	32,486	6,562,607
 Total	 \$ 41,102,084	 25,679,946	 2,158,609	 2,320,224	 10,943,305
 Total number of students *	 3,924				
 Cost per student	 \$ 10,474	 6,544	 550	 591	 2,789

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

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

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

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

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

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



## OTHER INFORMATION

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**  
**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 9,757,242	\$ 9,040,742	\$ 8,950,789	\$ 8,411,450
Intermediate sources				4,000
State sources	17,784,986	18,166,971	17,398,056	17,134,058
Federal sources	634,573	472,040	230,316	313,178
Sixteenth Section sources	964,030	859,088	1,074,887	-
Total Revenues	29,140,831	28,538,841	27,654,048	25,862,686
<b>Expenditures:</b>				
Instruction	15,453,354	14,906,407	14,800,928	16,209,955
Support services	12,881,133	11,936,216	10,125,527	10,423,389
Noninstructional services	11,945	10,509	1,366	
Facilities acquisition and construction	219			737,319
Sixteenth section		5	715	
Total Expenditures	28,346,651	26,853,137	24,928,536	27,370,663
Excess (Deficiency) of Revenues over (under) Expenditures	794,180	1,685,704	2,725,512	(1,507,977)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,263	189,557	1,048	
Sale of transportation equipment	75	2,872		
Sale of other property	24,000	3,690		68
Other financing uses		(2,964)	(2,400)	(7,366)
Operating transfers in	215,258	239,835	306,947	1,213,313
Operating transfers out	(409,578)	(142,246)	(115,567)	(680,967)
Other financing sources	(1,806)			
Total Other Financing Sources (Uses)	(170,788)	290,744	190,028	525,048
Net Change in Fund Balances	623,392	1,976,448	2,915,540	(982,929)
<b>Fund Balances:</b>				
July 1 , as previously reported	16,122,347	14,145,899	8,892,621	9,977,517
Fund reclassification			2,337,738	
Prior period adjustments	(6,065)			(101,967)
July 1 , as restated	16,116,282	14,145,899	11,230,359	9,875,550
End of Period	\$ 16,739,674	\$ 16,122,347	\$ 14,145,899	\$ 8,892,621

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 10,473,837	\$ 9,838,831	\$ 9,603,857	\$ 9,240,938
Intermediate sources	-	-	-	74,730
State sources	20,664,597	20,869,895	20,161,312	19,320,626
Federal sources	9,978,877	11,224,030	10,183,059	12,119,790
Sixteenth section sources	964,545	859,561	1,075,281	956,464
Total Revenues	42,081,856	42,792,317	41,023,509	41,712,548
<b>Expenditures:</b>				
Instruction	19,600,528	19,637,842	19,018,058	21,635,810
Support services	17,445,395	17,253,800	14,546,426	15,504,205
Noninstructional services	2,875,191	3,000,996	2,985,140	3,165,468
Sixteenth section	219	5	715	690
Facilities acquisition and construction	-	-	-	737,319
Debt service:				
Principal	1,057,066	1,127,822	1,083,727	1,156,770
Interest	119,485	160,824	200,412	244,767
Other	4,200	10,200	4,000	4,003
Total Expenditures	41,102,084	41,191,489	37,838,478	42,449,032
Excess (Deficiency) of Revenues over (under) Expenditures	979,772	1,600,828	3,185,031	(736,484)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	1,263	189,557	1,048	-
Sale of transportation equipment	75	2,872	-	-
Sale of other property	24,000	3,690	-	68
Operating transfers in	624,836	603,259	820,660	2,315,461
Operating transfers out	(624,836)	(603,259)	(820,660)	(2,315,461)
Other financing uses	(1,806)	(4,177)	(2,400)	(7,366)
Total Other Financing Sources (Uses)	23,532	191,942	(1,352)	(7,298)
Net Change in Fund Balances	1,003,304	1,792,770	3,183,679	(743,782)
<b>Fund Balances:</b>				
July 1, as previously reported	18,072,390	16,287,520	13,095,108	13,971,061
Prior period adjustment	(6,043)	-	-	(97,748)
July 1, as restated	18,066,347	16,287,520	13,095,108	13,873,313
Increase (Decrease) in reserve for inventory	5,048	(7,900)	8,733	(34,423)
End of Period	\$ 19,074,699	\$ 18,072,390	\$ 16,287,520	\$ 13,095,108

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## McKENZIE CPA, PLLC

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

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

Superintendent and School Board  
Sunflower County Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunflower County Consolidated School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Sunflower County Consolidated School District's basic financial statements, and have issued our report thereon dated March 16, 2018.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sunflower County Consolidated School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sunflower County Consolidated School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunflower County Consolidated School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

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

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

### **Purpose of this Report**

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
March 16, 2018





## McKENZIE CPA, PLLC

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

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

Superintendent and School Board  
Sunflower County Consolidated School District

#### **Report on Compliance for Each Major Federal Program**

We have audited Sunflower County Consolidated School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunflower County Consolidated School District's major federal programs for the year ended June 30, 2017. Sunflower County Consolidated School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

#### ***Opinion on Each Major Federal Program***

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

#### **Report on Internal Control Over Compliance**

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

are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sunflower County Consolidated School District's internal control over compliance.

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

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

#### **Purpose of this Report**

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
March 16, 2018

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



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



## McKENZIE CPA, PLLC

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

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

Superintendent and School Board  
Sunflower County Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunflower County Consolidated School District as of and for the year ended June 30, 2017, which collectively comprise Sunflower County Consolidated School District's basic financial statements and have issued our report thereon dated March 16, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
March 16, 2018

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |                                       |               |
|----|---------------------------------------|---------------|
| 4. | Internal control over major programs: |               |
| a. | Material weakness identified?         | No            |
| b. | Significant deficiency identified?    | None reported |

- |    |  |            |
|----|--|------------|
| 5. | Type of auditor's report issued on compliance for major programs:                                  | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No         |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster
84.010	Title I grants to local educational agencies

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

SUNFLOWER COUNTY CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**Sunflower County Consolidated School District  
196 N Martin Luther King Dr.  
Indianola, MS 38751  
Miskia Davis, Superintendent  
Lillie Robey, Business Manager**

**AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

As required by Uniformed Guidance, the Sunflower County Consolidated School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2017:

Findings

Status

2016-01

Corrected