

Morehouse Parish School Board

Bastrop, Louisiana



Annual Financial Report

for the year ended June 30, 2016

**Morehouse Parish School Board
Bastrop, Louisiana**

**Annual Financial Report
As of and for the Year Ended June 30, 2016**

**Morehouse Parish School Board
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Independent Auditor's Report

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Morehouse Parish School Board, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Beekman Alumni and Friends, Inc., which represents the discretely presented component unit. Those financial statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the discretely presented component unit column, is based solely on the report of the other auditor. 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 from 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 School Board'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 School Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Morehouse Parish School Board, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress for Other Post Employment Benefits Plan, Schedule of Employer's Proportionate Share of the Net Pension Liability, Schedule of Employer's Contributions to Pension Plans, the Budgetary Comparison Schedules and the notes to the required supplementary information, as listed in the table of contents, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Morehouse Parish School Board's basic financial statements. The accompanying supplementary information, as listed in the table of contents, and 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* (Uniform Guidance) and the other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

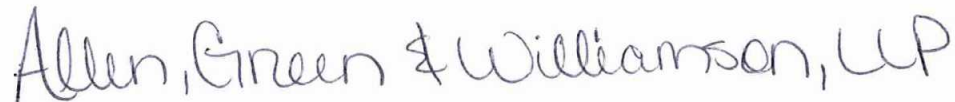
The accompanying supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is the responsibility of management and was derived from and relates 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying supplementary information, as listed in the table of contents, and the 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the Morehouse Parish School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Allen, Green & Williamson, LLP". The signature is written in a cursive, slightly slanted style.

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
January 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

Our discussion and analysis of Morehouse Parish School Board's financial performance provides an overview of the School Board's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the School Board's financial statements which follow this Management's Discussion and Analysis.

In fiscal year 2016, the School Board adopted the following new statements of financial accounting standards issues by the Governmental Accounting Standards Board:

- *Statement No. 72* – Fair Value Measurement and Application addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73* – Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purpose of providing those pensions. It also amends certain provisions of GASB 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of GASB 67 and 68.

The adoption of these Statements had no impact on the School Board's government-wide nor the fund financial statements.

A copy of the separate audit report for the discretely presented component unit, Beekman Alumni and Friends, Inc., may be obtained from the School Board.

FINANCIAL HIGHLIGHTS The primary resources available to the School Board are local revenues which are primarily tax receipts, state revenues which are primarily Minimum Foundation Funding and cost reimbursement grants, and federal revenues which are primarily cost reimbursement grants.

Total revenues of the governmental activities decreased \$4,858 for the year ended June 30, 2016 due mainly to an increase in operating grants and contributions of \$1,688,603 and decrease in State Equalization of \$1,451,176 due to decrease in student counts for MFP.

Operating grants increased by \$1,688,603 mainly due to the School Board received \$982,401 more in Title I, Part A in comparison to the prior year. Also the School Board received revenue from new grants including the School Improvement Fund-Believe & Succeed totaling \$203,997 and Title I 1003A SI Professional Development totaling \$25,200. Revenue from the National School Lunch Program increased by approximately \$321,997 due to the Community Eligibility Provision which allows high poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students.

State equalization decreased by \$1,451,176 mainly due to the loss of 170 students for the period of February 2015 through October 1, 2015, and an additional 20 student loss for the period of October 1, 2015 and February 1, 2016.

Governmental activities expenses decreased by \$2,473,134 from the prior year. The decrease was mainly due to the decrease in number of classroom teachers. At October 1, 2015 the classroom teacher count was 229 and at October 1, 2014 it was 252. This decrease has an effect on amount spent on salaries and benefits for teachers.

**Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016**

ANNUAL REPORT The School Board's annual report consists of a series of financial statements that show information for the School Board as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide information about the activities of the School Board as a whole and present a longer-term view of the School Board's finances. Our fund financial statements are included later in this report. For our governmental activities, these statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the School Board's overall financial health. Fund financial statements also report the School Board's operations in more detail than the government-wide financial statements by providing information about the School Board's most significant funds, the General Fund, Title I, School Food Service and Debt Service Fund. The remaining statement - the Statement of Fiduciary Assets and Liabilities presents financial information about activities for which the School Board acts solely as an agent for the benefit of students and parents.

**Required Supplementary Information
Management's Discussion & Analysis (MD&A)**

Basic Financial Statements

**Government-wide
Financial Statements**



**Fund
Financial Statements**

Notes to the Basic Financial Statements

Required Supplementary Information

**Schedule of Funding Progress for Other Post Employment Benefit Plan
Schedule of Employer's Proportionate Share of the Net Pension Liability
Schedule of Employer's Contributions to Pension Plans
Budgetary Information for Major Funds**

Supplementary Information

**Nonmajor Funds Combining Statements
Agency Funds Statements/Schedules
Schedule of Compensation Paid Board Members
Schedule of Compensation, Benefits and Other Payments to Agency Head**

Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance is being provided by the auditor regarding the Required Supplementary Information and the Supplementary Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

Reporting the School Board as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the School Board as a whole begins with the government-wide financial statements. One of the most important questions asked about the School Board is, "Is the School Board as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School Board's financial statements, report information on the School Board as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School Board's net position - the difference between assets plus deferred outflows and liabilities plus deferred inflows, as reported in the Statement of Net Position - as one way to measure the School Board's financial health, or financial position. Over time, increases or decreases in the School Board's net position - as reported in the Statement of Activities - are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School Board's operating results. However, the School Board's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the School Board.

The Statement of Net Position and Statement of Activities report the following activity for the School Board:

Governmental activities - all of the School Board's services are reported here, including instruction, plant services, transportation, and food services. Property taxes, sales taxes, Minimum Foundation Program funds, and state and federal grants finance most of these activities.

Component Units - The School Board's Component Unit, Beekman Alumni and Friends, Inc.'s services are reported here. The Charter School issues a separate report which may be obtained from the School Board.

Reporting the School Board's Most Significant Funds

Fund Financial Statements

The School Board's fund financial statements provide detailed information about the most significant funds - not the School Board as a whole. Some funds are required to be established by State law and by bond covenants. However, the School Board establishes many other funds to help it control and manage money for particular purposes (like the school lunch) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants the School Board receives from the U.S. Department of Education). The School Board's governmental funds use the following accounting approach:

Governmental funds - All of the School Board's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School Board's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can

Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

be spent in the near future to finance the School Board's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on Statements D and F.

The School Board as Trustee

Reporting the School Board's Fiduciary Responsibilities

The School Board is the trustee, or fiduciary, for its student activities funds. All of the School Board's fiduciary activities are reported in the Statements of Fiduciary Assets and Liabilities. We exclude these activities from the School Board's other financial statements because the School Board cannot use these assets to finance its operations. The School Board is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE SCHOOL BOARD AS A WHOLE The School Board's net position was (\$71,138,986) at June 30, 2016. Of this amount (\$79,306,828) was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use the net position for day-to-day operations. Our analysis below focuses on the net position, (Table 1) and the change in net position (Table 2) of the School Board's governmental activities.

Table 1
Net Position
June 30,

	2016	2015	Variance
Other assets	\$ 13,899,829	\$ 13,591,305	\$ 308,524
Capital assets	<u>20,195,382</u>	<u>20,589,834</u>	<u>(394,452)</u>
Total assets	<u>34,095,211</u>	<u>34,181,139</u>	<u>(85,928)</u>
Deferred Outflows	<u>6,294,116</u>	<u>6,153,449</u>	<u>140,667</u>
Other liabilities	3,771,997	3,432,302	339,695
Long-term liabilities	<u>93,790,440</u>	<u>94,977,396</u>	<u>(1,186,956)</u>
Total liabilities	<u>97,562,437</u>	<u>98,409,698</u>	<u>(847,261)</u>
Deferred Inflows	<u>13,965,876</u>	<u>15,385,861</u>	<u>(1,419,985)</u>
Net position			
Net investment in capital assets	5,017,529	5,479,634	(462,105)
Restricted	3,150,313	3,461,385	(311,072)
Unrestricted	<u>(79,306,828)</u>	<u>(82,401,990)</u>	<u>3,095,162</u>
Total net position	<u>\$ (71,138,986)</u>	<u>\$ (73,460,971)</u>	<u>\$ 2,321,985</u>

The (\$79,306,828) in unrestricted net position of governmental activities represents accumulated results of all past year's operations. The net position of the School Board increased by \$2,321,985. The results of this year's operations for the School Board as a whole are reported in the Statement of Activities. Table 2 on the next page, takes the information from that statement and rearranges it slightly so that readers can see total revenues for the year.

Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

Table 2
Changes in Net Position
For the Year Ended June 30,

	<u>2016</u>	<u>Governmental Activities</u> <u>2015</u>	<u>Variance</u>
Revenues:			
Program revenues			
Charges for services	\$ 25,064	\$ 22,283	\$ 2,781
Operating grants and contributions	11,145,600	9,456,997	1,688,603
General Revenues			
Ad valorem taxes	5,365,666	5,650,889	(285,223)
Sales taxes	6,445,668	6,434,214	11,454
State equalization	28,476,678	29,927,854	(1,451,176)
Other general revenues	1,116,387	1,087,684	28,703
Total revenues	<u>52,575,063</u>	<u>52,579,921</u>	<u>(4,858)</u>
Functions/Program Expenses:			
Instruction			
Regular programs	20,951,389	23,467,181	(2,515,792)
Special programs	3,954,950	4,271,938	(316,988)
Other instructional programs	5,266,615	5,470,620	(204,005)
Support services			
Student services	2,175,921	2,492,893	(316,972)
Instructional staff support	2,765,023	2,452,959	312,064
General administration	1,195,693	1,032,766	162,927
School administration	1,733,052	1,874,598	(141,546)
Business services	730,145	823,841	(93,696)
Plant services	3,659,985	3,237,095	422,890
Student transportation services	3,157,962	3,113,593	44,369
Central services	751,371	790,549	(39,178)
Food Services	3,144,888	3,072,128	72,760
Interest on long-term debt	766,084	626,051	140,033
Total expenses	<u>50,253,078</u>	<u>52,726,212</u>	<u>(2,473,134)</u>
Increase (decrease) in net position	<u>2,321,985</u>	<u>(146,291)</u>	<u>2,468,276</u>
Net Position - beginning, as originally stated	(73,460,971)	(13,966,002)	(59,494,969)
Prior Period Adjustment	-	(59,348,678)	59,348,678
Net Position - beginning, as restated	<u>(73,460,971)</u>	<u>(73,314,680)</u>	<u>(146,291)</u>
Net Position - ending	<u>\$ (71,138,986)</u>	<u>\$ (73,460,971)</u>	<u>\$ 2,321,985</u>

Governmental Activities As reported in the Statement of Activities, the cost of all governmental activities this year was \$50,253,078. The amount that taxpayers ultimately financed for these activities through School Board taxes was only \$11,811,334 because some of the cost was paid by those who benefited from the programs \$25,064 or by other governments and organizations who subsidized certain programs with grants and contributions \$11,145,600. The School Board paid for the remaining amount with \$28,476,678 in Minimum Foundation Program funds, \$1,116,387 in other revenues such as interest, and other local sources.

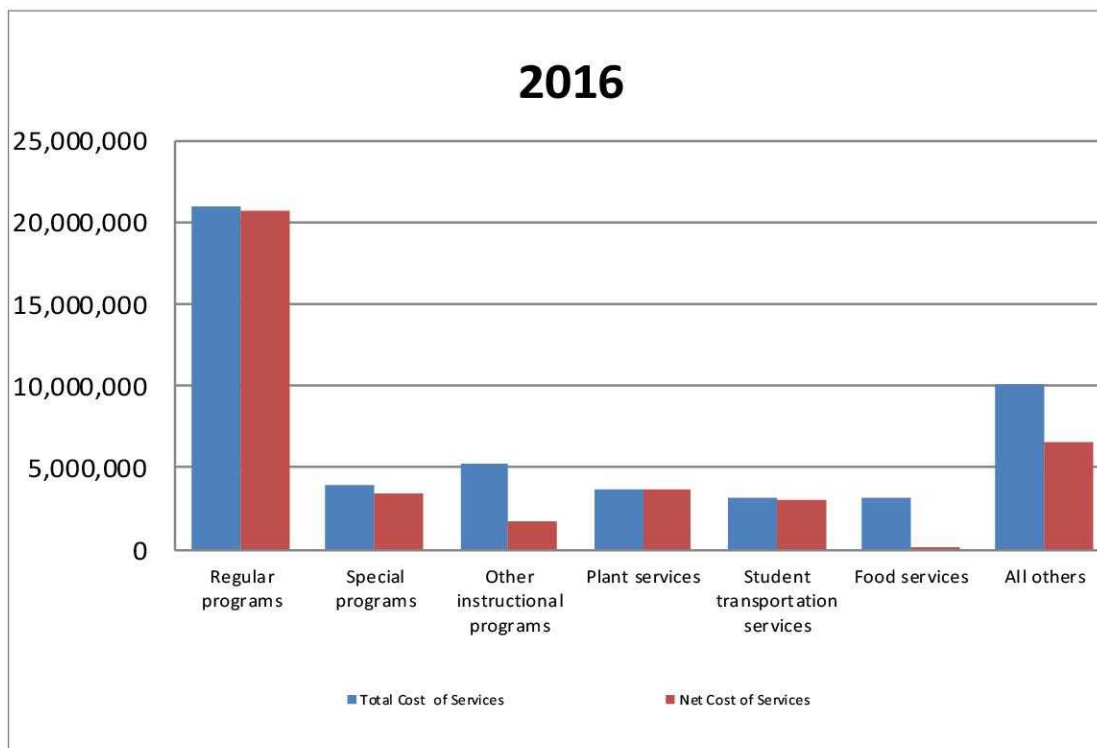
Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

In the table below, we have presented the cost of each of the School Board's six largest functions - regular programs, special programs, other instructional programs, plant services, student transportation services and food services as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the financial burden that was placed on the School Board's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

For the Years Ended June 30,
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Regular programs	\$20,951,389	\$ 23,467,181	\$ 20,650,904	\$ 23,313,971
Special programs	3,954,950	4,271,938	3,397,153	3,802,156
Other instructional programs	5,266,615	5,470,620	1,687,835	2,252,342
Plant services	3,659,985	3,237,095	3,624,771	3,232,088
Student transportation services	3,157,962	3,113,593	3,070,728	3,070,253
Food services	3,144,888	3,072,128	73,499	206,833
All others	10,117,289	10,093,657	6,577,524	7,369,289
Totals	<u>\$50,253,078</u>	<u>\$ 52,726,212</u>	<u>\$ 39,082,414</u>	<u>\$ 43,246,932</u>

Total Cost of Services versus Net Cost of Services
(in millions)



Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

THE SCHOOL BOARD'S FUNDS As we noted earlier, the School Board uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the School Board is being accountable for the resources taxpayers and others provide to it but may also give you more insight into the School Board's overall financial health.

The fund balance of the general fund increased \$491,756 due mainly to less was spent on teacher salaries and benefits since there was a considerable drop in the number of classrooms in comparison to prior year. Ad valorem came in approximately \$285,223 less than prior year. Sales Tax came in approximately \$11,454 more than prior year. Additionally, other revenue came in higher due to sale of capital assets and increase in Medicaid reimbursements.

Title I fund is a cost reimbursement fund, which does not carry a fund balance.

The school food service fund increased \$338,574 due mainly to increase in meal claims due to the Community Eligibility Provision which allows high poverty schools and districts to serve breakfast and lunch at no cost to all enrolled students.

The debt service fund balance decreased \$493,787 due mainly to the issuance cost associated with advanced refunding of the 2007 General Obligation Bond.

Budgetary Highlights As mentioned earlier the School Board revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. (A schedule showing the School Board's original and final budgets compared with actual results is provided in the required supplemental information section of this report.)

Changes between the General Fund original and final budget were mainly due to reducing salary and salary related expenses to better reflect the effects of the reduction in force.

The General Fund's actual revenues were \$191,872 more than projected budgeted revenue amounts, due to not finalizing a budget revision prior to the end of the fiscal year. The School Board received \$143,481 more in sales tax than amount budgeted. Ad valorem tax is \$143,104 less than final budget amount. Other Local Revenue is \$25,481 more than projected due to end of year correcting entries made after the budget revision was finalized. The MFP was \$164,243 more than final budget amount due to not using the final MFP budget letter provided by the Department of Education.

The General Fund's actual expenditures were \$97,266 more than projected budgeted expenditures amounts, due to end of year correcting entries made after the budget revision was finalized.

Morehouse Parish School Board
Management's Discussion and Analysis (MD&A)
June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets At June 30, 2016, the School Board had \$20,195,382 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$394,452 or approximately 1.92%, from last year. For further detailed information, please refer to Notes to the Financials (Note 6).

Capital Assets at June 30,

	<u>2016</u>	<u>2015</u>
Land	\$ 319,013	\$ 319,013
Construction in Progress	599,518	404,100
Buildings	18,271,287	18,628,759
Furniture and Equipment	1,005,564	1,237,962
Totals	<u>\$20,195,382</u>	<u>\$20,589,834</u>

DEBT ADMINISTRATION At June 30, 2016, the School Board has general obligation bonds, Series 2007, totaling \$170,000 which matures March 1, 2017 with an interest rate of 4.3-6%. The School Board also has general obligation bonds, 2003 Refunding, Series 2011, totaling \$6,435,000 which matures on March 1, 2028 with an interest rate of 3.17%. The School Board also has general obligation bonds, 2004 Refunding, Series 2012, totaling \$3,435,000 which matures on March 1, 2029 with an interest rate of 1.25-3.5%. The School Board also has limited tax bonds, Series 2014, Refunding 2016, totaling \$1,270,000 which matures on March 1, 2035 with an interest rate of 1.5-5.0%. On May 11, 2016, the School Board issued \$3,725,000 in general obligation bonds to advance refund Series 2007 general obligation bonds. These bonds will mature March 1, 2032 with an interest rate of 1-3.0%. Under state statute, the School Board is legally restricted from incurring long-term bonded debt in excess of 35% of the assessed value of taxable property. At June 30, 2016, the School Board's net bonded debt of \$12,305,275 (total bonded debt of \$13,765,000 less assets in debt service funds of \$1,459,725) was well below the legal limit. For more detailed information, please refer to the Notes to the Financial Statement (Note 12).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS The major changes anticipated for the 2016-2017 fiscal year are minimal. The proposed budget for General Fund anticipates revenue over expenditures for the 2016-2017 fiscal year. The District renewed two tax millages in 2012 at a lower millage rate than levied on the 2014 tax roll, resulting in a projected decrease in revenue. The operating transfer to Beekman is expected to be significantly higher than 2015-2016 due to an increase in the number of students. The projected expenditures for retirement are expected to decrease since there is a decrease in retirement rates for the 2016-2017 fiscal year. There was also a 7-10% increase in the Office of Group Benefits health premium. Additionally there were 2 additional schools closed for the 2016-2017 school year, one-time costs associated with moving portable buildings to different locations and setting up the buildings with utilities. No savings will be realized in the 2016-2017 fiscal year, however, savings should be realized in fiscal year 2017-2018.

CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, parents, students, and investors and creditors with a general overview of the School Board's finances and to show the School Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Ms. Ersula Norwood, Business Manager, at the Morehouse Parish School Board, P. O. Box 872, Bastrop, Louisiana 71221-0872, telephone number (318) 281-5784.

BASIC FINANCIAL STATEMENTS:
GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)

MOREHOUSE PARISH SCHOOL BOARD

STATEMENT OF NET POSITION

June 30, 2016

	PRIMARY GOVERNMENT	Statement A COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BEEKMAN ALUMNI AND FRIENDS, INC.
ASSETS		
Cash and cash equivalents	\$ 9,409,068	\$ 1,465,782
Restricted cash	-	97,241
Investments	79,597	575,000
Receivables	4,088,061	1,958
Inventory	125,631	-
Investment in land and buildings	197,472	-
Capital assets:		
Land and construction in progress	918,531	-
Capital assets, net of depreciation	<u>19,276,851</u>	<u>280,693</u>
TOTAL ASSETS	<u>34,095,211</u>	<u>2,420,674</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	<u>6,294,116</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,294,116</u>	<u>-</u>
LIABILITIES		
Bank overdraft	676	-
Accounts, salaries and other payables	3,563,756	628,615
Unearned revenue	16,899	-
Interest payable	190,666	-
Long-term liabilities		
Due within one year	1,609,757	40,831
Due in more than one year	<u>92,180,683</u>	<u>221,730</u>
TOTAL LIABILITIES	<u>97,562,437</u>	<u>891,176</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>13,965,876</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,965,876</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	5,017,529	-
Restricted:		
Debt Service Fund	1,269,059	-
School Food Service	1,550,679	-
School Facilities	240,594	-
Miscellaneous Grants	89,981	-
Student Activity Funds	-	97,241
Unrestricted	<u>(79,306,828)</u>	<u>1,432,257</u>
TOTAL NET POSITION	<u>\$ (71,138,986)</u>	<u>\$ 1,529,498</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MOREHOUSE PARISH SCHOOL BOARD

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Statement B

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			PRIMARY	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENT	COMPONENT
				GOVERNMENTAL	UNIT
				ACTIVITIES	
			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
<i>Governmental activities:</i>					
Instruction:					
Regular programs	\$ 20,951,389	\$ -	\$ 300,485	\$ (20,650,904)	
Special programs	3,954,950	-	557,797	(3,397,153)	
Other instructional programs	5,266,615	-	3,578,780	(1,687,835)	
Support services:					
Student services	2,175,921	-	180,996	(1,994,925)	
Instructional staff support	2,765,023	-	2,379,616	(385,407)	
General administration	1,195,693	-	696,555	(499,138)	
School administration	1,733,052	-	17,421	(1,715,631)	
Business services	730,145	-	7,665	(722,480)	
Plant services	3,659,985	-	35,214	(3,624,771)	
Student transportation services	3,157,962	-	87,234	(3,070,728)	
Central services	751,371	-	257,512	(493,859)	
Food services	3,144,888	25,064	3,046,325	(73,499)	
Interest on long-term debt	766,084	-	-	(766,084)	
Total Governmental Activities	<u>\$ 50,253,078</u>	<u>\$ 25,064</u>	<u>\$ 11,145,600</u>	<u>\$ (39,082,414)</u>	
<i>Component unit:</i>					
Beekman Alumni and Friends, Inc.	<u>\$ 6,914,401</u>	<u>\$ 10,820</u>	<u>\$ 20,597</u>		<u>\$ (6,882,984)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				5,365,666	-
Sales taxes, levied for general purposes				6,445,668	-
Grants and contributions not restricted to specific programs					
Minimum Foundation Program				28,476,678	7,408,237
State revenue sharing				162,857	-
Interest and investment earnings				11,800	2,042
Student Activity Funds				-	138,484
Miscellaneous				941,730	66,280
Total general revenues				<u>41,404,399</u>	<u>7,615,043</u>
Changes in net position				<u>2,321,985</u>	<u>732,059</u>
Net position - beginning				<u>(73,460,971)</u>	<u>797,439</u>
Net position - ending				<u>\$ (71,138,986)</u>	<u>\$ 1,529,498</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Morehouse Parish School Board

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**BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)**

MOREHOUSE PARISH SCHOOL BOARD

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2016

	<u>GENERAL</u>	<u>TITLE I</u>	<u>SCHOOL FOOD SERVICE</u>
ASSETS			
Cash and cash equivalents	\$ 5,998,654	\$ -	\$ 1,627,129
Investments	79,597	-	-
Receivables	835,591	1,691,151	51,015
Interfund receivables	2,587,138	-	-
Inventory	47,872	-	77,759
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	9,548,852	1,691,151	1,755,903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Bank overdraft	-	-	-
Accounts, salaries and other payables	2,849,373	220,303	113,560
Interfund payables	-	1,470,848	13,905
Unearned revenue	-	-	16,899
	<hr/>	<hr/>	<hr/>
Total Liabilities	2,849,373	1,691,151	144,364
	<hr/>	<hr/>	<hr/>
Fund Balances:			
Nonspendable	47,872	-	60,860
Restricted	-	-	1,550,679
Committed	623,838	-	-
Unassigned	6,027,769	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	6,699,479	-	1,611,539
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,548,852	\$ 1,691,151	\$ 1,755,903
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement C

DEBT SERVICE	NONMAJOR GOVERNMENTAL	TOTAL
\$ 1,456,148	\$ 327,137	\$ 9,409,068
-	-	79,597
3,577	1,506,727	4,088,061
-	26,460	2,613,598
-	-	125,631
<u>1,459,725</u>	<u>1,860,324</u>	<u>16,315,955</u>
-	676	676
-	380,520	3,563,756
-	1,128,845	2,613,598
-	-	16,899
<u>-</u>	<u>1,510,041</u>	<u>6,194,929</u>
-	-	108,732
1,459,725	350,283	3,360,687
-	-	623,838
-	-	6,027,769
<u>1,459,725</u>	<u>350,283</u>	<u>10,121,026</u>
<u>\$ 1,459,725</u>	<u>\$ 1,860,324</u>	<u>\$ 16,315,955</u>

Morehouse Parish School Board

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MOREHOUSE PARISH SCHOOL BOARD

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2016**

Statement D

Total fund balances - governmental funds \$ 10,121,026

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Position includes those capital assets among the assets of the School Board as a whole. The cost of those capital assets allocated over their estimated useful lives (as depreciation expense) to the various programs is reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	\$ 51,355,434	
Depreciation expense to date	<u>(31,160,052)</u>	
		20,195,382

Investment in land and school building that is closed. 197,472

Deferred outflows of resources related to pensions are not due and payable in the current period and accordingly are not reported in the governmental funds. 6,294,116

Deferred inflows of resources related to pensions are not available to pay current period expenditures and therefore are not reported in the governmental funds. (13,965,876)

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Position.

Balances at June 30, 2016 are:

Long-term liabilities		
Bonds payable	(15,035,000)	
Bond premium	(162,561)	
Compensated absences payable	(893,669)	
OPEB payable	(36,263,078)	
Net Pension Liability	(41,436,132)	
Interest payable	<u>(190,666)</u>	
		<u>(93,981,106)</u>

Net Position of Governmental Activities \$ (71,138,986)

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MOREHOUSE PARISH SCHOOL BOARD

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

	<u>GENERAL</u>	<u>TITLE I</u>	<u>SCHOOL FOOD SERVICE</u>
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 3,987,584	\$ -	\$ -
Sales and use	6,445,668	-	-
Interest earnings	9,564	-	-
Food services	-	-	25,064
Other	722,923	-	-
State sources:			
Equalization	28,429,540	-	47,138
Other	485,502	-	5,000
Federal sources	-	4,336,903	3,038,558
Total Revenues	<u>40,080,781</u>	<u>4,336,903</u>	<u>3,115,760</u>
EXPENDITURES			
Current:			
Instruction:			
Regular programs	20,803,464	-	-
Special programs	3,743,243	-	-
Other instructional programs	1,931,256	2,795,408	-
Support services:			
Student services	2,175,230	1,064	-
Instructional staff support	649,376	1,080,293	-
General administration	304,523	440,027	-
School administration	1,839,845	-	-
Business services	773,809	-	-
Plant services	3,293,224	-	-
Student transportation services	2,755,193	24,496	129
Central services	546,282	195,615	-
Food services	420,550	-	2,777,057
Capital outlay	268,191	-	-
Debt service:			
Principal retirement	16,001	-	-
Interest and bank charges	68,838	-	-
Bond issuance costs	-	-	-
Total Expenditures	<u>39,589,025</u>	<u>4,536,903</u>	<u>2,777,186</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ 491,756</u>	<u>\$ (200,000)</u>	<u>\$ 338,574</u>

Statement E

DEBT SERVICE	NONMAJOR GOVERNMENTAL	TOTAL
\$ 810,793	\$ 567,289	\$ 5,365,666
-	-	6,445,668
1,751	485	11,800
-	-	25,064
3,510	216,160	942,593
-	-	28,476,678
-	255,088	745,590
-	3,187,406	10,562,867
816,054	4,226,428	52,575,926
-	276,436	21,079,900
-	591,158	4,334,401
-	883,892	5,610,556
-	165,525	2,341,819
-	1,170,487	2,900,156
19,589	312,773	1,076,912
-	29,442	1,869,287
-	3,005	776,814
-	280,895	3,574,119
-	74,176	2,853,994
-	52,453	794,350
-	9,551	3,207,158
-	826,348	1,094,539
785,000	925,000	1,726,001
505,252	40,243	614,333
121,323	9,623	130,946
1,431,164	5,651,007	53,985,285
\$ (615,110)	\$ (1,424,579)	\$ (1,409,359)

(CONTINUED)

MOREHOUSE PARISH SCHOOL BOARD

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

	GENERAL	TITLE I	SCHOOL FOOD SERVICE
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 200,000	\$ -
Transfers out	-	-	-
Bonds issued	-	-	-
Bond premiums	-	-	-
Payments to escrow agent	-	-	-
	-	-	-
Total Other Financing Sources (Uses)	-	200,000	-
Net Change in Fund Balances	491,756	-	338,574
Fund Balances - Beginning	6,207,723	-	1,272,965
Fund Balances - Ending	\$ 6,699,479	\$ -	\$ 1,611,539

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E

DEBT SERVICE	NONMAJOR GOVERNMENTAL	TOTAL
\$ -	\$ -	\$ 200,000
-	(200,000)	(200,000)
3,725,000	1,270,000	4,995,000
110,938	-	110,938
<u>(3,714,615)</u>	<u>-</u>	<u>(3,714,615)</u>
<u>121,323</u>	<u>1,070,000</u>	<u>1,391,323</u>
(493,787)	(354,579)	(18,036)
<u>1,953,512</u>	<u>704,862</u>	<u>10,139,062</u>
<u>\$ 1,459,725</u>	<u>\$ 350,283</u>	<u>\$ 10,121,026</u>

(CONCLUDED)

MOREHOUSE PARISH SCHOOL BOARD

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2016**

	Statement F
Total net change in fund balances - governmental funds	\$ (18,036)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the period:	
Depreciation expense	\$ (1,488,128)
Capital outlays	1,094,539
Capital asset disposals, net	<u>(863)</u>
Net capital outlays	(394,452)
The recognition of pension expense in the Statement of Activities is based on projected benefit payments discounted to actuarial present value and attributed to periods of employee service. Pension expenditures in the fund financial statements are the amounts actually paid.	6,672,751
The issuance of long-term debt provides current financial resources of 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.	
Bonds issued	(4,995,000)
Repayment of bond and notes payable principal	5,291,001
Increase in OPEB liability	(4,334,815)
Bond premiums are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, bond premiums increases long-term debt and are amortized over the life of the bonds.	(99,939)
In the Statement of Activities, certain operating expenses-compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation and sick time used (\$733,758) exceeded the amounts earned (\$520,148) by \$213,610.	213,610
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	<u>(13,135)</u>
Change in net position of governmental activities	<u><u>\$ 2,321,985</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

MOREHOUSE PARISH SCHOOL BOARD
FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2016

	Statement G
	<u>AGENCY FUND</u>
ASSETS	
Cash and cash equivalents	<u>\$ 135,430</u>
Total assets	<u><u>135,430</u></u>
 LIABILITIES	
Deposits due others	<u>135,430</u>
Total liabilities	<u><u>\$ 135,430</u></u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Morehouse Parish School Board
Notes to the Financial Statements
June 30, 2016

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Morehouse Parish School Board
Notes to the Financial Statements
June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the School Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The School Board was created by Louisiana Revised Statute LSA-R.S. 17:51 to provide public education for the children within Morehouse Parish. The School Board is authorized by LSA-R.S. 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The School Board is comprised of seven members who are elected from seven districts for terms of four years.

The School Board operates eight schools within the parish with a total enrollment of 3,292 approximately pupils. In conjunction with the regular educational programs, some of these schools offer special education and/or adult education programs. In addition, the School Board provides transportation and school food services for the students.

GASB Standards establish criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The School Board is considered a *primary government*, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability.

The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the School Board has determined that the following component unit should be considered as part of the School Board reporting entity:

Morehouse Parish School Board approved the granting of a type 3 charter to Beekman Alumni and Friends, Inc. effective July 1, 2013. Beekman Alumni and Friends, Inc. operates and manages Beekman Charter School.

Beekman Alumni and Friends, Inc. is included in the reporting entity, because they are fiscally dependent on the school system for the majority of their revenue, because the School Board has the authority to revoke the charter and because exclusion would cause the reporting entity's financial statements to be misleading or incomplete. However, Beekman Alumni and Friends, Inc. is a legally separate entity, and, as such, appoints their own board.

**Morehouse Parish School Board
Notes to the Financial Statements
June 30, 2016**

Beekman Alumni and Friends, Inc. is established as a 501(c)3 not-for-profit corporation to operate Beekman Charter School. As such, they follow guidance of Financial Accounting Standards Board (FASB) Accounting Standards codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organization*.

Copies of the audit reports for Beekman Alumni and Friends, Inc. may be obtained from the School Board.

Throughout the year, Morehouse Parish School Board pays for expenses related to the Beekman Charter School, operated by Beekman Alumni and Friends, Inc. As a result, there are transactions throughout the year between the Morehouse Parish School Board and Beekman Alumni and Friends, Inc. Below is a summary of amounts reimbursed to Morehouse Parish School Board from Beekman Alumni and Friends, Inc. for the 2015-2016 school year.

Rental of School Building	\$ 1,200
Property Insurance	6,424
HVAC Maintenance	3,143
AHERA Management Plan	3,000
Accountability	29,719
JPAMS	6,246
State Loan Repayment	33,333
	<u>\$ 83,065</u>

Unless otherwise stated, these notes to the basic financial statements only refer to the financial statements of the primary government Morehouse Parish School Board. See separately issued audit report for notes to the basic financial statements related to the discretely presented component unit Beekman Alumni and Friends, Inc.

B. FUNDS The accounts of the School Board are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds of the School Board are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds Governmental funds account for the School Board's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets, and the servicing of long-term debt. The School Board reports the following major governmental funds:

General Fund - the primary operating fund of the School Board accounts for all financial resources except those required to be accounted for in other funds.

Title I - This program is designed to improve the educational opportunities of educationally deprived children by helping them succeed in the regular school program, attain grade level proficiency and improve achievement in basic and more advanced skills. Primarily for provision of compensatory instructional activities to educationally deprived children that reside in low-income areas and have been selected on the basis of a needs assessment. Services supplement, not supplant, those normally provided by state and local educational agencies.

School Food Service - This program is designed to assist in providing a nutritious breakfast and lunch service for school students and to encourage the domestic consumption of nutritious agricultural commodities.

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Debt Service - revenues received from ad valorem taxes and interest earnings are used to make principal and interest payments on bond indebtedness.

Fiduciary Funds Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the School Board.

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity. The agency fund is as follows:

School activities agency fund - accounts for assets held by the School Board as an agent for the individual schools and school organizations.

Component Unit The discretely presented component unit of the School Board, Beekman Alumni and Friends, Inc. is accounted for as a separate not-for-profit organization.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows/inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, liabilities, and deferred outflows/inflows resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Standards.

Program revenues Program revenues include 1) charges for services provided, 2) operating grants and contributions, and 3) capital grants and contributions; program revenues reduce the cost of the function to be financed from the School Board's general revenues. Charges for services are primarily derived from cafeteria sales. Operating grants and contributions consist of the many educational grants received from the federal and state government.

Allocation of indirect expenses The School Board reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured

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interest on general long-term debt which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements have been met and the resources are available.

Sales taxes are recognized when the underlying transaction occurs and the resources are available.

Entitlements and shared revenue (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible and accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Other receipts become measurable and available when cash is received by the School Board and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are accrued at June 30. Substantially all other expenditures are recognized when the related fund liability has been incurred.

Other Financing Sources (Uses) Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Fiduciary Funds The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

D. DEPOSITS AND INVESTMENTS Cash includes amounts in demand deposits and interest-bearing demand deposits, and time deposit amounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the School Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments are limited by LSA-R.S. 33:2955 and the School Board's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at fair value except for the following which are permitted per GASB Statement No. 31:

Investments in *nonparticipating* interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

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The School Board reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contracts include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U. S. Treasury obligations.

E. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as interfund receivables/payables on the balance sheet.

F. INVENTORIES Inventory is recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements except for inventory of the school food service fund.

Inventory of the school food service (special revenue fund) consists of food purchased by the School Board and commodities granted by the United States Department of Agriculture through the Louisiana Department of Agriculture and Forestry. The commodities are recorded as revenues when received; however, all inventory items are recorded as expenditure when consumed. Unused commodities at June 30 are reported as unearned revenue. All purchased inventory items are valued at cost (first-in, first-out) and commodities are assigned values based on information provided by the United States Department of Agriculture. In 2007, School Food Service also implemented an inventory for all paper products purchased which are recorded as expenditure when consumed.

G. CAPITAL ASSETS Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed and depreciated over their estimated useful lives (including salvage value). The capitalization threshold is \$5,000 for all capital assets except intangibles. The capitalization threshold for intangibles is \$100,000. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	10 - 40 years
Furniture and equipment	3 - 10 years

H. UNEARNED REVENUES The School Board reports unearned revenues on its combined balance sheet. Unearned revenues arise when resources are received by the School Board before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the School Board has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

I. COMPENSATED ABSENCES All twelve-month employees earn from twelve to eighteen days of sick leave each year, depending on their length of service. All employees working on a nine-month basis earn ten days of sick leave each year. Nine-month employees who work during the summer receive an additional one day of sick leave for each four weeks of summer work. Sick leave may be accumulated and carried forward to succeeding years without limitation. Upon retirement or death, employees or their heirs are paid for the value of accumulated sick leave not to exceed twenty-five days at the employee's current rate of pay. Under the Louisiana Teachers'

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Retirement System and the Louisiana School Employees' Retirement System, all unpaid sick leave is used in the retirement benefit computation as earned service.

All twelve-month employees earn from ten to fifteen days of vacation leave each year, depending upon their length of service with the School Board. Twelve-month employees may accumulate and carry forward a maximum of fifteen days' vacation time to succeeding years. Any employee's vacation leave in excess of fifteen days is forfeited at year end without compensation. Upon separation of employment, all employees are paid for unused vacation leave.

The School Board's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- A. The employees' right to receive compensation is attributable to services already rendered.
- B. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Only the current portion of the liability for compensated absences is reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable available financial resources. The School Board uses approach B to calculate the accrued sick leave liability. Employees with 5 years of experience or more are included in the calculation.

J. LONG-TERM OBLIGATIONS For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

The School Board provides certain continuing health care benefits for its retired employees. The OPEB plan is a single employer defined benefit "substantive plan" as understood by past practices of the School Board. Expenditures are recorded as payments are made for health insurance premiums.

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 retirement systems and additions to/deductions from the retirements systems fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee

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contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

K. RESTRICTED NET POSITION For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
- Imposed by law through constitutional provisions or enabling legislation. Restricted net position reported in the statement of net position is restricted through enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. Net position restricted for debt service and school facilities is restricted by enabling legislation.

L. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES In addition to assets, the statement of net 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 Board has deferred outflows related to the net pension liability recorded. See Note 7 for additional information related to the pension liability recorded.

In addition to liabilities, the statement of net 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 (revenues) until that time. The School Board has deferred inflows related to the net pension liability. See Note 7 for additional information related to the pension liability recorded.

M. FUND EQUITY OF FUND FINANCIAL STATEMENTS GASB 54 requires the fund balance amounts to be reported within the fund balance categories as follows:

Non-spendable: Fund balance that is not in spendable form or legally or contractually required to be maintained intact. This category includes items that are not easily converted to cash such as inventories and prepaid items.

Restricted: Fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed: Fund balance that can only be used for specific purposes determined by the School Board's highest level of decision making authority. The Board is the highest level of decision making authority for the School Board that can, by adoption of a resolution or through a motion approved by a majority of the Board prior to the end of the fiscal year commit fund balance. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit the funds.

Assigned: Fund balance that is constrained by the School Board's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board.

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Unassigned: Fund balance that is the residual classification for the general fund. A negative unassigned fund balance may be reported in governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The School Board reduces committed amounts, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. The School Board considers restricted amounts to have been spent when an expenditure has been incurred for purposes for which both restricted and unrestricted fund balance is available.

N. INTERFUND ACTIVITY Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

O. SALES TAXES The Morehouse Parish School Board has three sales tax ordinances as follows:

The School Board has a one cent parish-wide sales and use tax as authorized in a special election held November 18, 1989. In accordance with the proposition approved by the voters of the parish, the net "revenues derived from said sales and use tax is to be dedicated and used solely for the purpose of providing funds for the payment of salaries of school employees in the Parish of Morehouse."

The School Board has a one half cent parish-wide sales and use tax. It was authorized in a special election held July 18, 1992. In accordance with the proposition approved by the voters of the parish, the net revenues derived from said sales and use tax is "to be dedicated and used for the purpose of acquiring, constructing, renovating, improving, equipping, furnishing, maintaining and operating public schools and school-related facilities in Morehouse Parish and for paying salaries and benefits for teachers and other personnel employed by the Morehouse Parish School Board." The tax was renewed in a special election held April 21, 2012 for a period of ten years commencing on October 1, 2014 and ending September 30, 2024.

An additional one half cent sales tax was approved by the voters in a special election held July 19, 2003. The net revenues derived from this additional tax are "to be dedicated and used for acquiring, constructing, renovating, improving, equipping, furnishing, maintaining and operating public schools and school-related facilities in Morehouse Parish, and for paying salaries and benefits for teachers and other personnel employed by the Morehouse Parish School Board". The tax was renewed in a special election held April 21, 2012 for a period of ten years commencing on October 1, 2014 and ending on September 30, 2024.

P. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Q. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Actual Expenditures over Budget Expenditures The following individual funds had actual expenditures over budgeted expenditures for the year ended June 30, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 39,491,759	\$ 39,589,025	\$ (97,266)
School Food Service	2,587,318	2,777,186	(189,868)

The variance was the result of unanticipated expenditures after the last budget revision as well as entries needed to finalize year-end financial statements.

NOTE 3 - LEVIED TAXES The School Board levies taxes on real and business personal property located within Morehouse Parish's boundaries. Property taxes are levied by the School Board on property values assessed by the Morehouse Parish Tax Assessor and approved by the state of Louisiana Tax Commission. The Morehouse Parish Sheriff's Office bills and collects all property taxes for the School Board except for the property located in the city of Bastrop which is billed and collected by the city of Bastrop. Collections are remitted to the School Board monthly.

Property Tax Calendar

	<u>Parish (Except City of Bastrop)</u>	<u>City of Bastrop</u>
Tax bills mailed	December 1, 2015	December 2015
Total taxes are due	December 31, 2015	December 31, 2015
Lien date	July 2016	July 2016
Penalties and interest are added	January 1, 2016	January 1, 2016
Tax sale date(s)	June 2016	June 2016

Assessed values are established by the Morehouse Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value:

10% land	25% public service properties, excluding land
10% residential improvements	15% other property
15% electronic cooperative properties, excluding land	

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2012. Total assessed value was \$174,419,674 in calendar year 2015. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was \$35,871,667 of the assessed value in calendar year 2015.

State law requires the Morehouse Parish Sheriff's Department to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Morehouse Parish Sheriff's Department is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

All property taxes are recorded in the general fund and debt service fund. Revenues in such funds are recognized in the accounting period in which an enforceable legal claim arises. Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent

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adjustments to the tax roll. The School Board considers the levy date as the legally enforceable date. Accordingly, the 2015 property taxes are recorded in the 2015-2016 fiscal year.

Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

The following is a summary of authorized and levied (tax rate per \$1,000 Assessed Value) ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Parish-wide taxes:			
Constitutional	5.96	5.96	Statutory
Maintenance and operation	6.45	6.45	2024
Special leeway maintenance and operations	6.01	6.01	2024
Special 1998 capital program tax	10.00	10.00	2023
General obligation bonds debt service	Variable	6.00	2028
District taxes:			
Beekman (District 12)	10.00	10.00	2048
East Morehouse School District	9.95	9.95	2024

NOTE 4 - DEPOSITS AND INVESTMENTS At June 30, 2016, the School Board has deposits as follows:

Interest Rate Risk: The School Board's policy does not address interest rate risk.

Credit Risk: The School Board invests in certificates of deposit which do not have credit ratings. The School Board's policy does not address credit rate risk.

Custodial credit risk-Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the School Board's deposits may not be returned to it. At year end, the School Board's carrying amount of deposits was \$9,624,095 (Statement A - Cash and cash equivalents of \$9,409,068, Investments of \$79,597 and Statement G - \$135,430) and the bank balance was \$12,483,952. Of the bank balance, \$431,656 was covered by federal depository insurance or by collateral held by the School Board's agent in the School Board's name. The remaining \$12,052,296 of the bank balance was collateralized with securities held by the pledging financial institution's trust department or agent but not in the School Board's name. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell pledged securities within 10 days of being notified by the School Board that the fiscal agent has failed to pay deposited funds upon demand. The School Board's policy does not address custodial credit risk.

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NOTE 5 - RECEIVABLES The receivables at June 30, 2016, are as follows:

Class of Receivables	General	Title I	School Food Service	Debt Service	Nonmajor Governmental	Total
Taxes:						
Ad Valorem	\$ 332	\$ -	\$ -	\$ 66	\$ -	\$ 398
Sales Tax	569,508	-	-	-	-	569,508
Intergovernmental - grants:						
Federal	-	1,691,151	50,035	-	1,327,232	3,068,418
State	30,338	-	-	-	63,207	93,545
Other	235,413	-	980	3,511	116,288	356,192
Total	<u>\$ 835,591</u>	<u>\$ 1,691,151</u>	<u>\$ 51,015</u>	<u>\$ 3,577</u>	<u>\$ 1,506,727</u>	<u>\$ 4,088,061</u>

No allowance for doubtful accounts has been established as the School Board expects to collect the full balance.

NOTE 6 - CAPITAL ASSETS Capital assets balances and activity for the year ended June 30, 2016, are as follows:

	Balance Beginning	Additions	Deletions	Balance Ending
Governmental activities				
Capital asset not being depreciated				
Land	\$ 319,013	\$ -	\$ -	\$ 319,013
Construction in progress	404,100	826,348	630,930	599,518
Total capital assets not being depreciated	<u>723,113</u>	<u>826,348</u>	<u>630,930</u>	<u>918,531</u>
Capital assets being depreciated				
Buildings	41,178,503	757,330	-	41,935,833
Furniture and equipment	8,731,760	141,791	372,481	8,501,070
Total capital assets being depreciated	<u>49,910,263</u>	<u>899,121</u>	<u>372,481</u>	<u>50,436,903</u>
Less accumulated depreciation				
Buildings	22,549,744	1,114,802	-	23,664,546
Furniture and equipment	7,493,798	373,326	371,618	7,495,506
Total accumulated depreciation	<u>30,043,542</u>	<u>1,488,128</u>	<u>371,618</u>	<u>31,160,052</u>
Total capital assets being depreciated, net	<u>19,866,721</u>	<u>(589,007)</u>	<u>863</u>	<u>19,276,851</u>
Governmental activities				
Capital assets, net	<u>\$ 20,589,834</u>	<u>\$ 237,341</u>	<u>\$ 631,793</u>	<u>\$ 20,195,382</u>

Depreciation expense was charged to governmental activities as follows:

Regular programs	\$ 1,070,847
Special programs	3,766
Other instructional programs	15,101
General administration	470
Plant services	77,725
Student transportation services	302,109
Central services	7,101
Food services	11,009
Total depreciation expense	<u>\$ 1,488,128</u>

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NOTE 7 - PENSION PLANS

The School Board is a participating employer in two statewide, public employee retirement systems, the Louisiana School Employees' Retirement System (LSERS) and the Teacher's Retirement System of Louisiana (TRSL). Both systems have separate boards of trustees and administer cost-sharing, multiple-employer defined benefit pension plans, including classes of employees with different benefits and contribution rates (sub-plans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all sub-plans administered by these systems to the State Legislature. Each system issues a public report that includes financial statements and required supplementary information. Copies of these reports for LSERS and TRSL may be obtained at www.lasers.net and www.trsl.org, respectively.

TRSL also administers an optional retirement plan (ORP), which was created by Louisiana Revised Statute 11:921-931 for academic and administrative employees of public institutions of higher education and is considered a defined contribution plan (see Optional Retirement Plan note below). A portion of the employer contributions for ORP plan members is dedicated to the unfunded accrued liability of the TRSL defined benefit plan.

General Information about the Pension Plans

Plan Descriptions/Benefits Provided:

Louisiana School Employees' Retirement System: LSERS administers a plan to provide retirement, disability, and survivor's benefits to non-teacher school employees excluding those classified as lunch workers and their beneficiaries as defined in R.S. 11:1001. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by R.S. 11:1141-1153 and vary depending on the member's hire date.

A member who joined the system on or after July 1, 2015 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 62. A member who joined between July 1, 2010 and June 30, 2015 is eligible for normal retirement if he has at least 5 years of creditable service and is at least age 60. A member who joined the system on or before June 30, 2010 is eligible for normal retirement if he has at least 30 years of creditable service regardless of age, 25 years of creditable service and is at least age 55, or 10 years of creditable service and is at least age 60. All members are eligible for retirement with 20 years of creditable service regardless of age with an actuarially reduced benefit.

For members who joined the system prior to July 1, 2006, the maximum retirement benefit is an amount equal to 3 1/3% of the average compensation for the 3 highest consecutive years of membership service, subject to the 10% salary limitation, multiplied by the number of years of service limited to 100% of final average compensation plus a supplementary allowance of \$2.00 per month for each year of service. For members who joined the system on or after July 1, 2006 through June 30, 2010, 3 1/3% of the average compensation is used to calculate benefits, however, the calculation consists of the five highest consecutive years of membership service, subject to the 10% salary limitation. For members who joined the system on or after July 1, 2010, 2 1/2% of the average compensation is used to calculate benefits and consists of the five highest consecutive years' average salary, subject to the 15% salary limitation. The supplemental allowance was eliminated for members entering the plan on or after July 1, 1986. Effective January 1, 1992, the supplemental allowance was reinstated to all members whose service retirement became effective after July 1, 1971.

A member is eligible to retire and receive disability benefits if the member has at least 5 years of creditable service, is not eligible for normal retirement and has become totally and permanently disabled and is certified as disabled by the Medical Board. A vested person with twenty or more years of creditable service is eligible for a disability benefit

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until normal retirement age. A member who joins the system on or after July 1, 2006, must have at least 10 years of service to qualify for disability benefits. Upon the death of a member with five or more years of creditable service, the plan provides benefits for surviving spouses and minor children. Under certain conditions outlined in the statutes, a spouse is entitled to 75% of the member's benefit.

Teachers' Retirement System of Louisiana: TRSL administers a plan to provide retirement, disability, and survivor benefits to employees who meet the legal definition of a "teacher" as provided for in R.S. 11:701. Eligibility for retirement benefits and the calculation of retirement benefits are provided for in R.S. 11:761. Statutory changes closed existing, and created new, sub-plans for members hired on or after January 1, 2011 and July 1, 2015.

Most members are eligible to receive retirement benefits 1) at the age of 60 with 5 years of service, 2) at the age of 55 with at least 25 years of service, or 3) at any age with at least 30 years of service. For members joining on or after July 1, 2015, retirement benefits are paid at age 62 with at least 5 years of service credit. Members may retire with an actuarially reduced benefit with 20 years of service credit. Retirement benefits are calculated by applying a percentage ranging from 2% to 3% of final average salary multiplied by years of service. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to January 1, 2011, or highest 60 consecutive months of employment for members employed after that date.

Under R.S. 11:778 and 11:779, members who have suffered a qualified disability are eligible for disability benefits if employed prior to January 1, 2011 and attained at least 5 years of service or if employed on or after January 1, 2011 and attained at least 10 years of service. Members employed prior to January 1, 2011 receive disability benefits equal to 2½% of average compensation multiplied by the years of service, but not more than 50% of average compensation subject to statutory minimums. Members employed on or after January 1, 2011 receive disability benefits equivalent to the regular retirement formula without reduction by reason of age.

Survivor benefits are provided for in R.S. 11:762. In order for survivor benefits to be paid, the deceased member must have been in state service at the time of death and must have a minimum of five years of service, at least two of which were earned immediately prior to death, or must have had a minimum of twenty years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Survivor benefits are equal to 50% of the benefit to which the member would have been entitled if retired on the date of death using a factor of 2½% regardless of years of service or age, or \$600 per month, whichever is greater. Benefits are payable to an unmarried child until age 21, or age 23 if the child remains a full-time student. The minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or a qualified handicapped child.

Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible LSERS or TRSL member can begin participation in the DROP on the first retirement eligibility date for a period not to exceed 3 years. A member has a 60 day window from his first eligible date to participate in the program in order to participate for the maximum number of years. Delayed participation reduces the three year maximum participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account. Upon termination of DROP participation, the member can continue employment and earn additional benefit accruals to be added to the fixed pre-DROP benefit. Upon termination of employment, the member is entitled to the fixed benefit, an additional benefit based on post-DROP service (if any), and the individual DROP account balance which can be paid in a lump sum or an additional annuity based upon the account balance.

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Cost of Living Adjustments

As fully described in Title 11 of the Louisiana Revised Statutes, LSERS and TRSL allow for the payment of permanent benefit increases, also known as cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions

Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee. For those members participating in the TRSL defined contribution ORP, a portion of the employer contributions are used to fund the TRSL defined benefit plans' unfunded accrual liability.

Employer contributions to LSERS for fiscal year 2016 were \$527,995, with active member contributions ranging from 7.5% to 8%, and employer contributions of 30.2%. Employer defined benefit plan contributions to TRSL for fiscal year 2016 were \$4,536,259, with active member contributions ranging from 5% to 8%, and employer contributions of 26.3% to 28.8%. Non-employer contributions to TRSL, which are comprised of \$110,734 from ad valorem taxes and revenue sharing funds and \$6,499 from the State for PIP salaries, totaled \$117,233 for fiscal year 2016. These non-employer contributions were recorded as revenue and were used as employer contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the School Board reported liabilities of \$3,693,779 and \$37,742,353 under LSERS and TRSL, respectively, for its proportionate share of the Net Pension Liability (NPL). The NPL for LSERS and TRSL was measured as of June 30, 2015, and the total pension liabilities used to calculate the NPL were determined by actuarial valuations as of that date. The School Board's proportions of the NPL were based on projections of the School Board's long-term share of contributions to the pension plans relative to the projected contribution of all participating employers, actuarially determined. As of June 30, 2015, the most recent measurement date, the School Board's proportions and the changes in proportion from the prior measurement date were .5825%, or a decrease of .0385% for LSERS and .3510% or a decrease of .0691% for TRSL.

Changes in Benefit Terms: ACT 226 of the Legislative Session changed the benefit terms for members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015. ACT 226 raised the retirement age requirement to receive a 2.5% benefit factor after 5 years of service to 62 years of age from the 60 years of age requirement for members hired after June 30, 2010 for LSERS and after January 1, 2011 for TRSL. This change will be reflected in the June 30, 2016 valuation.

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For the year ended June 30, 2016, the School Board recognized a total pension expense of \$(1,491,264), or \$171,837 and \$(1,663,101) for LSERS and TRSL, respectively. The School Board reported deferred outflows of resources and deferred inflows of resources related to pensions as components of unrestricted net position from the following sources:

	Deferred Outflows			Deferred Inflows		
	LSERS	TRSL	Total	LSERS	TRSL	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 329,372	\$ 433,111	\$ 762,483
Changes of assumptions	265,688	-	265,688	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	171,860	832,923	1,004,783
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,868	842,073	846,941	153,080	12,045,530	12,198,610
Employer contributions subsequent to the measurement date	527,995	4,653,492	5,181,487	-	-	-
Total	\$ 798,551	\$ 5,495,565	\$ 6,294,116	\$ 654,312	\$ 13,311,564	\$ 13,965,876

Deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the LSERS and TRSL NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	LSERS	TRSL	Total
2017	\$ (212,088)	\$ (3,930,813)	\$ (4,142,901)
2018	(175,295)	(3,930,813)	(4,106,108)
2019	(87,744)	(3,930,813)	(4,018,557)
2020	91,371	(677,052)	(585,681)

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Actuarial Assumptions

The total pension liabilities for LSERS and TRSL in the June 30, 2015, actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

	<u>LSERS</u>	<u>TRSL</u>
Valuation Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Expected Remaining Service Lives	3 years	5 years
Investment Rate of Return	7.00%, net of investment expense, including inflation	7.75%, net of investment expense
Inflation Rate	2.75% per annum	2.5% per annum
Projected salary increases	3.2% to 5.5% varies depending on duration of service	4.25% to 5.75% varies depending on duration of service
Cost-of-living adjustments	Not substantively automatic	Not substantively automatic
Mortality	RP-2000 Combined Healthy Sex Distinct Mortality Table	RP-2000 Mortality Table with projection to 2025 using Scale AA
Termination, Disability, Retirement	Projected based on a five year (2008-2012) experience study	Projected based on a five year (2008-2012) experience study

For LSERS the long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates 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.

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For TRSL, the long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and 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 of 2.5% and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of real rates of return for each major asset class are summarized for each plan in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
TRSL (arithmetic)		
Domestic equity	31.00%	4.71%
International equity	19.00%	5.69%
Domestic fixed income	14.00%	2.04%
International fixed income	7.00%	2.80%
Alternatives	29.00%	5.94%
Total	<u>100.00%</u>	
LSERS (geometric)		
Fixed income	30.00%	1.06%
Equity	51.00%	3.61%
Alternative investments	13.00%	0.89%
Real assets	6.00%	0.44%
Total	<u>100.00%</u>	6.00%
Inflation		<u>2.30%</u>
Expected arithmetic nominal return		<u>8.30%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.00% for LSERS and 7.75% for TRSL. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually required rates, actuarially determined. 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.

For LSERS, the discount rate used in the June 20, 2015 net pension liability valuation was reduced from the 7.25% used in the June 30, 2014 valuation to 7.0%. The reduction was made to account for the funding of administrative expenses out of investment earnings. Prior to this valuation, no explicit provision was made to fund or offset administrative expenses. In addition, the valuation model was revised. The long-term expected portfolio real rate of return (expected arithmetic nominal return) was increased .77% in the June 30, 2015 valuation to 8.30% from the rate of 7.53% used in the June 30, 2014 valuation.

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Sensitivity of the proportionate share of the NPL to changes in the discount rate. The following presents the School Board's proportionate share of the NPL for LSERS and TRSL using the current discount rate as well as what the School Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	<u>1.0% Decrease</u>	<u>Current Discount Rate</u>	<u>1.0% Increase</u>
LSERS	\$ 5,074,353	\$ 3,693,779	\$ 2,513,270
TRSL	47,757,754	37,742,353	29,224,002

Pension plan fiduciary net position. Detailed information about LSERS and TRSL fiduciary net position is available in the separately issued financial reports referenced above.

Payables to the Pension Plan. At June 30, 2016, the School Board had \$0 in payables to LSERS and TRSL, for the June 2016 employee and employer legally required contributions.

Optional Retirement Plan

TRSL administers an optional retirement plan (ORP), which was created by R.S. 11:921-931 for academic and administrative employees of public institutions of higher education. The purpose of the optional retirement plan is to provide retirement and death benefits to the participants while affording the maximum portability of these benefits to the participants. The optional retirement plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the optional retirement plan rather than the TRSL and purchase retirement and death benefits through contracts provided by designated companies. Benefits payable to participants are not the obligation of the State of Louisiana or the TRSL. Such benefits and other rights of the ORP are the liability and responsibility solely of the designated company or companies to whom contributions have been made.

R.S. 11:927 sets the contribution requirements of the ORP plan members and the employer equal to the contribution rates established for the regular retirement plan of TRSL. However, effective July 1, 2014, the employer contribution rate for amounts credited to the ORP participants who are not employed in higher education must be the greater of: (1) the employer normal cost contribution for the TRSL Regular Plan; or (2) 6.2%.

Employer ORP contributions to TRSL for fiscal year 2016 totaled \$13,889, which represents pension expense for the School Board. Employee contributions totaled \$3,940. The Active member and employer contribution rates were 8% and 6.2%, respectively, with an additional employer contribution of 22% made to the TRSL defined benefit plan described above.

NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description - In accordance with state statutes, the School Board provides certain continuing health care and life insurance benefits for its retired employees on a pay-as-you-go basis. The School Board OPEB plan is a single employer defined benefit "substantive plan" as understood by past practices of the School Board and its employees. Although no written plan or trust currently exists or is sanctioned by law, the OPEB plan is reported based on communication to plan members. Also, no stand-alone financial report was prepared. Substantially all of the School Board's employees become eligible for these benefits if they reach normal retirement age while working for the School Board. These benefits and similar benefits for active employees are provided through the Office of Group Benefits, whose monthly premiums are paid jointly by the employee and the School Board.

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Funding Policy - The contribution requirements of plan members and the School Board are established and may be amended by LRS 42:801-883. Employees do not contribute to their post employment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a rate schedule. Contribution amounts are approximately 25% retiree/75% employer of the stated costs of healthcare coverage.

The plan is currently financed on a “pay as you go basis”, with the School Board contributing \$3,263,998 for 480 retirees for the year ended June 30, 2016.

Annual Other Post Employment Benefit Cost and Liability - The School Board’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45 which was implemented for the year ended June 30, 2009. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities (UAL) over a period of thirty years. A 30 year amortization period (the maximum amortization period allowed by GASB 45) was used for post employment benefits. The total ARC for fiscal year 2016 is \$8,415,761 as set forth below:

Normal Cost	\$	3,874,097
30-year UAL amortization amount		4,541,664
Annual required contribution (ARC)		8,415,761

The following table presents the School Board’s OPEB Obligation for fiscal year 2016, 2015 and 2014:

	2016	2015	2014
Beginning Net OPEB Obligation July 1,	\$ 31,928,263	\$ 27,215,871	\$ 22,696,591
Annual required contribution	8,415,761	8,415,761	8,016,468
Interest on prior year Net OPEB Obligation	1,277,131	1,088,635	907,864
Adjustment to ARC	(2,094,079)	(1,785,007)	(1,420,065)
Annual OPEB Cost	7,598,813	7,719,389	7,504,267
Less current year retiree premiums	(3,263,998)	(3,006,997)	(2,984,987)
Increase in Net OPEB Obligation	4,334,815	4,712,392	4,519,280
Ending Net OPEB Obligation at June 30,	\$ 36,263,078	\$ 31,928,263	\$ 27,215,871

Utilizing the pay as you go method, the School Board contributed 43% of the annual post employment benefits cost during 2016, 39% during 2015 and 40% during 2014.

Funded Status and Funding Progress - Since the plan is not funded, the School Board’s entire actuarial accrued liability of \$69,246,411 was unfunded.

The funded status of the plan, as determined by an actuary as of July 1, 2014 was as follows:

Actuarial accrued liability (AAL)	\$	69,246,411
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	69,246,411
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll	\$	19,978,606
UAAL as a percentage of covered payroll		346.60%

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The Schedule of Funding Progress supplementary information follows the notes. The Schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2014 Morehouse Parish School Board actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% rate of return on investments and a long term inflation rate of 2.50%. The expected rate on increase in healthcare costs was based on Pre-Medicare and Medicare eligible beginning at 4.50% and 4.90%, respectively, graduated down to an ultimate annual rate of 4.50%. The RP 2000 system table with floating Scale AA was used in making actuarial assumptions in regards to mortality rates.

The remaining amortization period at June 30, 2016 for other post employment benefits (OPEB) was twenty-two years. The required schedule of funding progress immediately following the notes presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 9 - ACCOUNTS, SALARIES AND OTHER PAYABLES The payables at June 30, 2016, are as follows:

	General	Title I	School Food Service	Nonmajor Governmental	Total
Salaries and withholdings	\$ 2,238,054	\$ 219,223	\$ 105,126	\$ 264,813	\$2,827,216
Accounts	611,319	1,080	8,434	115,707	736,540
Total	<u>\$ 2,849,373</u>	<u>\$ 220,303</u>	<u>\$ 113,560</u>	<u>\$ 380,520</u>	<u>\$3,563,756</u>

NOTE 10 - COMPENSATED ABSENCES At June 30, 2016, employees of the School Board have accumulated and vested \$893,669 of employee leave benefits, including \$12,773 of salary related benefits. These employee leave benefits were computed in accordance with GASB Codification Section C60. Of the \$893,669 balance, \$733,758 is considered due within the next year and \$159,911 is considered long-term.

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NOTE 11 - AGENCY FUND - DEPOSITS DUE OTHERS A summary of changes in agency fund deposits due others for the year ended June 30, 2016, are as follows:

Balance, beginning	\$ 167,868
Additions	1,106,997
Deductions	<u>1,139,435</u>
Balance, ending	<u><u>\$ 135,430</u></u>

NOTE 12 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2016:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One year
Governmental Activities					
Bonds payable:					
General Obligation debt	\$ 14,390,000	\$ 3,725,000	\$ 4,350,000	\$ 13,765,000	\$ 815,000
Limited Tax Bond	925,000	1,270,000	925,000	1,270,000	50,000
QZAB notes payable	16,001	-	16,001	-	-
Other liabilities:					
Compensated absences	1,107,279	520,148	733,758	893,669	733,758
Net Pension Liability	46,548,231	481,551	5,593,650	41,436,132	-
Bond premium	62,622	110,938	10,999	162,561	10,999
OPEB Liability	<u>31,928,263</u>	<u>7,598,813</u>	<u>3,263,998</u>	<u>36,263,078</u>	<u>-</u>
Governmental activities					
Long-term liabilities	<u><u>\$ 94,977,396</u></u>	<u><u>\$ 13,706,450</u></u>	<u><u>\$ 14,893,406</u></u>	<u><u>\$ 93,790,440</u></u>	<u><u>\$ 1,609,757</u></u>

In the past, the liability for compensated absences and OPEB has been liquidated by the general fund. The net pension liability will be liquidated by the fund in which the related salary is paid. The liability for the general obligation bond and related premium is liquidated by the debt service fund. The liability for the limited tax bond and related premium is liquidated by the School District 12 Construction Fund.

Individual bond issues are as follows:

Bonds Payable	Original Issue	Interest Rate	Range of Maturities	Principal Outstanding	Interest Outstanding
Limited Tax Bonds					
Series 2016, refunding	\$ 1,270,000	1.50-5.00%	2016-2035	\$ 1,270,000	\$ 604,804
General Obligation Bonds					
Series 2007	5,070,000	4.30-6.00%	2007-2017	170,000	163,132
General Obligation Bonds					
Series 2011, refunding	7,775,000	3.17%	2012-2028	6,435,000	1,416,196
General Obligation Bonds					
Series 2012, refunding	3,885,000	1.25-3.50%	2012-2029	3,435,000	823,062
General Obligation Bonds					
Series 2016, refunding	3,725,000	1.00-3.00%	2016-2032	<u>3,725,000</u>	<u>935,426</u>
Total				<u><u>\$ 15,035,000</u></u>	<u><u>\$ 3,942,620</u></u>

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The bonded debt is due as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2017	\$ 865,000	\$ 587,070	\$ 1,452,070
2018	985,000	426,780	1,411,780
2019	955,000	402,808	1,357,808
2020	990,000	377,544	1,367,544
2021	1,020,000	350,716	1,370,716
2022-2026	5,585,000	1,300,594	6,885,594
2027-2031	3,960,000	443,124	4,403,124
2032-2035	675,000	53,984	728,984
Total	<u>\$ 15,035,000</u>	<u>\$ 3,942,620</u>	<u>\$ 18,977,620</u>

In accordance with Louisiana Revised Statute 39:562, the School Board is legally restricted from incurring long-term debt in excess of 35% of the assessed value of taxable property. At June 30, 2016, the statutory limit is \$61,046,886 and outstanding net bonded debt totals \$12,305,275 (General Obligation bonds of \$13,765,000 less \$1,459,725 in debt service).

Advanced Refunding

On May 11, 2016 the School Board issued \$3,725,000 in general obligation refunding bonds for District No. A to advance refund \$3,565,000 of the series 2007 general obligation bonds to reduce total future debt service payments. The net proceeds of the bonds of \$3,714,615 (including a \$110,938 premium and after \$121,323 in issuance costs) were placed in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments of the refunded general obligation bonds. The refunding resulted in a present value savings of \$454,097 in future debt service payments over the next fifteen years.

Current Refunding

On January 6, 2016 the School Board issued \$1,270,000 of Limited Tax Bonds, Series 2016 of Consolidated School District No.12 for the purpose of refunding and extending the School Board's outstanding \$925,000 Limited Tax Bonds, Series 2014 and acquiring, constructing, improving or equipping public elementary and secondary schools as authorized in the proposition approved by the voters on May 3, 2014 and paying the costs of issuance of the bonds.

Pledged Revenue

The School Board has pledged future collections of the 10 mills (such rate being subject to adjustment from time to time due to reassessment) District 12 ad valorem tax to repay the Limited Tax Bonds, Series 2016 of Consolidated School District No. 12. For the year ended June 30, 2016, the School Board received \$109,176 from the collection of the 10 mills. See current year refunding note above for additional information related to the bond issuance. The annual required principal and interest payments are expected to be 89.9% of the tax revenue over the next 19 years.

NOTE 13 INTERFUND TRANSACTIONS (FFS LEVEL ONLY)

Due from/to others:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General	\$ 2,587,138	Title I	\$ 1,470,848
		School Food Service	13,905
		Nonmajor Governmental	1,102,385
Nonmajor Governmental	26,460	Nonmajor Governmental	26,460
Total	<u>\$ 2,613,598</u>		<u>\$ 2,613,598</u>

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The purpose of the interfund assets/liabilities was to cover current-year expenditures on cost reimbursement programs until the reimbursement requisitions are deposited as well as amounts owed to the payroll fund related to summer payrolls.

Transfers in/out:

<u>Transfer in</u>	<u>Amount</u>	<u>Transfer out</u>	<u>Amount</u>
Title I	\$ 200,000	Nonmajor Governmental	\$ 200,000

The purpose of the interfund transfers was to utilize the Title 2 funding to supplement the Title 1 program, which is allowable under the terms of the grant.

NOTE 14 - LITIGATION AND CONTINGENCIES

Litigation The School Board is a defendant in several lawsuits. Management and legal counsel for the School Board believe that the potential claims against the School Board not covered by insurance would not materially affect the School Board's financial position.

Grant Disallowance The School Board participates in a number of state and federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The School Board's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Tax Arbitrage Rebate Under the Tax Reform Act of 1986, interest earned on the debt proceeds in excess of interest expense prior to the disbursement of the proceeds must be rebated to the Internal Revenue Service (IRS). Management believes there is no tax arbitrage rebate liability at year end.

Construction Projects The School Board had a signed contract for a new classroom building for Beekman Charter School totaling \$776,500 as of June 30, 2016. The construction in progress at June 30, 2016 related to this project was \$599,518.

NOTE 15 - RISK MANAGEMENT The School Board is at risk for worker's compensation, property damage, liability and theft which are covered by insurance policies. There was no substantial reduction of insurance coverage during 2016. The School Board has not had any settlements that have exceeded insurance coverage for each of the past three fiscal years.

NOTE 16 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES On-behalf payments for fringe benefits and salaries are direct payments made by an entity (the paying agent) to a third-party recipient for the employees of another, legally separate entity (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments.

The State of Louisiana made pension contributions (regarding Professional Improvement Program) directly to the Teachers' Retirement System of Louisiana on behalf of the School Board in the amount of \$6,499 for the 2015-2016 year. This amount was recognized as state revenue and a corresponding expenditure in the applicable fund from which the salary was paid.

The Parish Tax Collector makes pension contributions to the Teacher's Retirement System of Louisiana on behalf of the School Board. These remittances are a portion of the property taxes and state revenue sharing collected which

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Notes to the Financial Statements
June 30, 2016**

are statutorily set aside for teacher's retirement. The basis for recognizing the revenues and expenditures is the actual contributions made by the Tax Collector's office. For the 2016 fiscal year, the Tax Collector paid the Teacher's Retirement System of Louisiana \$110,734 on behalf of the School Board. This amount was recognized as ad valorem revenue and a reduction in the School Board's required contribution.

NOTE 17 - ECONOMIC DEPENDENCY The Minimum Foundation funding provided by the state to all public school systems in Louisiana is primarily based on the October 1 student count. The state provided \$28,476,678 which is 54% of total revenues.

NOTE 18 - FUND BALANCE CLASSIFICATION DETAILS The following are details of the fund balance classifications:

	<u>General</u>	<u>School Food Service</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Non spendable:					
Inventory	\$ 47,872	\$ 60,860	\$ -	\$ -	\$ 108,732
Restricted for:					
Debt Service	-	-	1,459,725	-	1,459,725
Grant Funds	-	-	-	89,981	89,981
School Facilities	-	-	-	240,594	240,594
School Construction	-	-	-	19,708	19,708
Food Service	-	1,550,679	-	-	1,550,679
Committed to:					
Natural Disasters	300,000	-	-	-	300,000
Salaries and Benefits	323,838	-	-	-	323,838
Unassigned	<u>6,027,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,027,769</u>
Total	<u>\$ 6,699,479</u>	<u>\$ 1,611,539</u>	<u>\$1,459,725</u>	<u>\$ 350,283</u>	<u>\$ 10,121,026</u>

NOTE 19 - INVESTMENTS IN LAND AND BUILDINGS The School Board has \$197,472 in investments in land and buildings. This is for Carver Elementary School, which is not currently in use. Carver school closed in the 2010-2011 year. Eastside School also closed during the 2010-2011 year, but is under consideration for possible use in the future. Therefore, Eastside is not classified as an investment in land and buildings.

The School Board 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.

Investments in land and buildings are measured at fair value on a nonrecurring basis. Nonrecurring fair value measurements are those that other GASB Statements require or permit in certain circumstances. The School Board has a nonrecurring fair value measurement as of June 30, 2016, for Carver Elementary School. The balance of the investment in land and building is \$197,472, as shown on Statement A of the government-wide financial statements (Level 3 inputs). The schools remain closed as of June 30, 2016.

Morehouse Parish School Board
Notes to the Financial Statements
June 30, 2016

NOTE 20 - NEW GASB STANDARDS In fiscal year 2016, the School Board adopted the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- *Statement No. 72* – Fair Value Measurement and Application addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- *Statement No. 73* – Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for the purpose of providing those pensions. It also amends certain provisions of GASB 67 and 68 that are within their respective scopes. This statement also clarifies the application of certain provisions of GASB 67 and 68.

The adoption of Statements No. 72 and No. 73 has no impact on the School Board's government wide or governmental fund financial statements.

NOTE 21 - CHANGE IN PRESENTATION For the fiscal year ended June 30, 2015, the School Food Service fund was reported as a nonmajor special revenue fund. The School Food Service fund was required to be reported as a major fund for the fiscal year ended June 30, 2016 due to the size of its assets.

NOTE 22 - SUBSEQUENT EVENTS In June of 2016 the School Board entered into a lease purchase agreement for \$1,361,730 for the purpose of acquiring fifteen new school buses. The buses were received and placed in service by the School Board during July of 2016.

In July 2016, the School Board completed the sale of Carver Elementary School, which is reported in investment in land and buildings as of June 30, 2016.

In August 2016, the School Board received \$254,500 for the sale of 340 acres of timber on Section 16th land.

REQUIRED SUPPLEMENTARY INFORMATION

Morehouse Parish School Board

**SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS PLAN
June 30, 2016**

Exhibit 1

		(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2009	7/1/2008	\$ -	\$ 68,694,031	\$ 68,694,031	0%	\$ 28,111,404	244.36%
6/30/2010	7/1/2008	-	68,694,031	68,694,031	0%	27,299,859	251.63%
6/30/2011	7/1/2010	-	69,548,047	69,548,047	0%	27,196,940	255.72%
6/30/2012	7/1/2010	-	69,548,047	69,548,047	0%	26,412,782	263.31%
6/30/2013	7/1/2012	-	67,693,694	67,693,694	0%	24,716,403	273.88%
6/30/2014	7/1/2012	-	67,693,694	67,693,694	0%	22,190,873	305.05%
6/30/2015	7/1/2014	-	69,246,411	69,246,411	0%	20,283,417	341.39%
6/30/2016	7/1/2014	-	69,246,411	69,246,411	0%	19,978,606	346.60%

Morehouse Parish School Board

**Schedule Of Employer's Proportionate Share Of The Net Pension Liability
June 30, 2016**

Exhibit 2-1

<u>Fiscal Year</u>	<u>Employer's Proportion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
Louisiana School Employees' Retirement System					
2015	0.621001%	\$ 3,605,857	\$ 1,742,055	207%	76.18%
2016	0.582450%	3,693,779	1,643,169	225%	74.49%
Teacher's Retirement System of Louisiana					
2015	0.42012%	\$ 42,942,374	\$ 20,688,256	208%	63.7%
2016	0.35102%	37,742,353	18,044,523	209%	62.5%

Notes:

The amounts presented have a measurement date of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

Morehouse Parish School Board

**Schedule Of Employer's Contributions To Pension Plans
June 30, 2016**

Exhibit 2-2

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
Louisiana School Employees' Retirement System					
2015	\$ 542,245	\$ 542,245	\$ -	\$ 1,643,169	33.0%
2016	527,995	527,995	-	1,748,324	30.2%
Teacher's Retirement System of Louisiana					
2015	\$ 5,051,405	\$ 5,051,405	\$ -	\$ 18,044,523	28.0%
2016	4,653,492	4,653,492	-	17,210,387	27.0%

Notes:

The amounts presented were determined as of the fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is presented.

Morehouse Parish School Board

Notes to Required Supplementary Information for Pensions

Louisiana School Employees' Retirement System

Changes in Benefit Terms: Members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015 may retire with a 2.5% benefit factor after attaining the age of 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age. This benefit change raised the age requirement from 60 years of age for members hired after June 30, 2010.

Changes in assumptions: For amounts reported in 2016, the valuation investment rate of return was reduced from the 7.25% reported in 2015 to 7.00%. The reduction was made to account for the funding of administrative expenses out of investment earnings. Prior to this valuation, no explicit provision was made to fund or offset administrative expenses. In addition, the valuation model was revised. The long-term expected portfolio real rate of return (expected arithmetic nominal return) was increased .77% in 2016 to 8.30% from the rate of 7.53% used in the 2015 valuation.

Teacher's Retirement System of Louisiana

Changes in Benefit Terms: Members whose first employment makes them eligible for membership in a Louisiana state retirement system on or after July 1, 2015 may retire with a 2.5% benefit factor after attaining the age of 62 with at least 5 years of service credit and are eligible for an actuarially reduced benefit with 20 years of service at any age. This benefit change raised the age requirement from 60 years of age for members hired after January 1, 2011.

**Morehouse Parish School Board
Budgetary Comparison Schedules**

General Fund and Major Special Revenue Funds With Legally Adopted Annual Budget:

GENERAL FUND The general fund accounts for all activities of the School Board except those that are accounted for in other funds.

TITLE I This program is designed to improve the educational opportunities of educationally deprived children by helping them succeed in the regular school program, attain grade level proficiency and improve achievement in basic and more advanced skills. Primarily for provision of compensatory instructional activities to educationally deprived children that reside in low-income areas and have been selected on the basis of a needs assessment. Services supplement, not supplant, those normally provided by state and local educational agencies.

SCHOOL FOOD SERVICE This program is designed to assist in providing a nutritious breakfast and lunch service for school students and to encourage the domestic consumption of nutritious agricultural commodities.

MOREHOUSE PARISH SCHOOL BOARD

**GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2016**

Exhibit 3-1

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
BUDGETARY FUND BALANCES, BEGINNING	\$ 6,201,780	\$ 6,207,723	\$ 6,207,723	\$ -
Resources (inflows)				
Local sources:				
Ad valorem tax	4,073,207	4,130,688	3,987,584	(143,104)
Sales tax	6,549,278	6,302,187	6,445,668	143,481
Interest earnings	9,221	9,564	9,564	-
Other	540,571	721,152	722,923	1,771
State sources:				
Equalization	29,496,026	28,265,297	28,429,540	164,243
Other	246,860	460,021	485,502	25,481
Amounts available for appropriations	<u>47,116,943</u>	<u>46,096,632</u>	<u>46,288,504</u>	<u>191,872</u>
Charges to appropriations (outflows)				
Current:				
Instruction:				
Regular programs	20,066,625	20,717,039	20,803,464	(86,425)
Special programs	3,876,198	3,754,072	3,743,243	10,829
Other instructional programs	1,980,633	1,877,465	1,931,256	(53,791)
Support services:				
Student services	2,261,484	2,079,719	2,175,230	(95,511)
Instructional staff support	720,971	633,605	649,376	(15,771)
General administration	411,510	314,410	304,523	9,887
School administration	1,925,702	1,836,896	1,839,845	(2,949)
Business services	804,648	763,004	773,809	(10,805)
Plant services	3,237,893	3,400,622	3,293,224	107,398
Student transportation services	2,969,563	2,789,946	2,755,193	34,753
Central services	489,712	529,127	546,282	(17,155)
Food services	439,097	407,153	420,550	(13,397)
Capital outlay	15,300	141,700	268,191	(126,491)
Debt service:				
Principal retirement	184,727	178,163	16,001	162,162
Interest and bank charges	68,838	68,838	68,838	-
Total charges to appropriations	<u>39,452,901</u>	<u>39,491,759</u>	<u>39,589,025</u>	<u>(97,266)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 7,664,042</u>	<u>\$ 6,604,873</u>	<u>\$ 6,699,479</u>	<u>\$ 94,606</u>

MOREHOUSE PARISH SCHOOL BOARD

**TITLE I
Budgetary Comparison Schedule
For the Year Ended June 30, 2016**

Exhibit 3-2

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
BUDGETARY FUND BALANCES, BEGINNING	\$ -	\$ -	\$ -	\$ -
Resources (inflows)				
Federal sources	4,844,537	4,892,295	4,336,903	(555,392)
Transfers from other funds	-	-	200,000	200,000
Amounts available for appropriations	<u>4,844,537</u>	<u>4,892,295</u>	<u>4,536,903</u>	<u>(355,392)</u>
Charges to appropriations (outflows)				
Current:				
Instruction:				
Other instructional programs	2,728,111	2,641,913	2,795,408	(153,495)
Support services:				
Student services	-	-	1,064	(1,064)
Instructional staff support	1,352,861	1,477,861	1,080,293	397,568
General administration	472,645	475,101	440,027	35,074
Student transportation services	92,300	98,800	24,496	74,304
Central services	<u>198,620</u>	<u>198,620</u>	<u>195,615</u>	<u>3,005</u>
Total charges to appropriations	<u>4,844,537</u>	<u>4,892,295</u>	<u>4,536,903</u>	<u>355,392</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MOREHOUSE PARISH SCHOOL BOARD

**SCHOOL FOOD SERVICE
Budgetary Comparison Schedule
For the Year Ended June 30, 2016**

Exhibit 3-3

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
BUDGETARY FUND BALANCES, BEGINNING	\$ 929,249	\$ 1,272,965	\$ 1,272,965	\$ -
Resources (inflows)				
Local sources:				
Food services	22,239	21,356	25,064	3,708
State sources:				
Equalization	60,000	43,567	47,138	3,571
Other	11,231	5,000	5,000	-
Federal sources	2,568,848	2,864,254	3,038,558	174,304
Amounts available for appropriations	<u>3,591,567</u>	<u>4,207,142</u>	<u>4,388,725</u>	<u>181,583</u>
Charges to appropriations (outflows)				
Current:				
Support services:				
Plant services	2,000	-	-	-
Student transportation services	-	129	129	-
Food services	2,660,142	2,587,189	2,777,057	(189,868)
Total charges to appropriations	<u>2,662,142</u>	<u>2,587,318</u>	<u>2,777,186</u>	<u>(189,868)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 929,425</u>	<u>\$ 1,619,824</u>	<u>\$ 1,611,539</u>	<u>\$ (8,285)</u>

Morehouse Parish School Board

Notes to the Budgetary Comparison Schedules For the Year Ended June 30, 2016

A. BUDGETS

General Budget Practices The School Board follows these procedures in establishing the budgetary data reflected in the combined financial statements:

State statute requires budgets to be adopted for the general fund and all special revenue funds.

Each year prior to September, the Superintendent submits to the Board proposed annual budgets for the general fund and special revenue funds' budgets. Public hearings are conducted, prior to the Board's approval, to obtain taxpayer comments. The operating budgets include proposed expenditures and the means of financing them.

Appropriations (unexpended budget balances) lapse at year-end.

Formal budget integration (within the accounting records) is employed as a management control device. All budgets are controlled at the function level. Budget amounts included in the accompanying financial statements include the original adopted budget and all subsequent amendments. There were significant budget revisions during the year.

Encumbrances Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exceeded.

Budget Basis of Accounting All governmental funds' budgets are prepared on the modified accrual basis of accounting, a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are originally adopted or amended by the Board. Legally, the Board must adopt a balanced budget; that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses. State statutes require the Board to amend its budgets when revenues plus projected revenues within a fund are expected to be less than budgeted revenues by five percent or more and/or expenditures within a fund are expected to exceed budgeted expenditures by five percent or more. The School Board approves budgets at the function level and management can transfer amounts between line items within a function.

B. EXCESS OF ACTUAL EXPENDITURES OVER BUDGET EXPENDITURES

The following funds had actual expenditures over budgeted expenditures for fiscal year ended June 30, 2016:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 39,491,759	\$ 39,589,025	\$ (97,266)
School Food Service	2,587,318	2,777,186	(189,868)

MOREHOUSE PARISH SCHOOL BOARD

**Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2016**

Note C - Budget to GAAP Reconciliation - Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	GENERAL FUND	TITLE I	SCHOOL FOOD SERVICE
<u>Sources/inflows of resources:</u>			
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary Comparison Schedule	\$ 46,288,504	\$ 4,536,903	\$ 4,388,725
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(6,207,723)	-	(1,272,965)
Transfers from other funds are inflows for budgetary purposes but are not revenue for reporting purposes	-	(200,000)	-
	<u>40,080,781</u>	<u>4,336,903</u>	<u>3,115,760</u>
<u>Uses/outflows of resources:</u>			
Actual amounts (budgetary basis) "Total charges to appropriations" from the Budgetary Comparison Schedule	39,589,025	4,536,903	2,777,186
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 39,589,025</u>	<u>\$ 4,536,903</u>	<u>\$ 2,777,186</u>

OTHER SUPPLEMENTARY INFORMATION

Morehouse Parish School Board

**COMBINING
NONMAJOR GOVERNMENTAL FUNDS -
BY FUND TYPE**

MOREHOUSE PARISH SCHOOL BOARD

**NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet - By Fund Type
June 30, 2016**

Exhibit 4

	SPECIAL REVENUE	CAPITAL PROJECTS	TOTAL
ASSETS			
Cash and cash equivalents	\$ 311,701	\$ 15,436	\$ 327,137
Receivables	1,390,439	116,288	1,506,727
Interfund receivables	26,460	-	26,460
TOTAL ASSETS	1,728,600	131,724	1,860,324
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Bank overdraft	-	676	676
Accounts, salaries and other payables	269,180	111,340	380,520
Interfund payables	1,128,845	-	1,128,845
Total Liabilities	1,398,025	112,016	1,510,041
 Fund Balances:			
Restricted	330,575	19,708	350,283
Total Fund Balances	330,575	19,708	350,283
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,728,600	\$ 131,724	\$ 1,860,324

MOREHOUSE PARISH SCHOOL BOARD

**NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - By Fund Type
For the Year Ended June 30, 2016**

Exhibit 5

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES			
Local sources:			
Taxes:			
Ad valorem	\$ 458,113	\$ 109,176	\$ 567,289
Interest earnings	297	188	485
Other	-	216,160	216,160
State sources:			
Other	255,088	-	255,088
Federal sources	3,187,406	-	3,187,406
	<hr/>	<hr/>	<hr/>
Total Revenues	3,900,904	325,524	4,226,428
EXPENDITURES			
Current:			
Instruction:			
Regular programs	276,436	-	276,436
Special programs	591,158	-	591,158
Other instructional programs	883,892	-	883,892
Support services:			
Student services	165,525	-	165,525
Instructional staff support	1,170,487	-	1,170,487
General administration	268,653	44,120	312,773
School administration	29,442	-	29,442
Business services	2,319	686	3,005
Plant services	267,676	13,219	280,895
Student transportation services	74,176	-	74,176
Central services	52,453	-	52,453
Food services	9,551	-	9,551
Capital outlay	-	826,348	826,348
Debt service:			
Principal retirement	-	925,000	925,000
Interest and bank charges	-	40,243	40,243
Bond issuance costs	-	9,623	9,623
	<hr/>	<hr/>	<hr/>
Total Expenditures	3,791,768	1,859,239	5,651,007
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<hr/>	<hr/>	<hr/>
	\$ 109,136	\$ (1,533,715)	\$ (1,424,579)

(Continued)

MOREHOUSE PARISH SCHOOL BOARD

**NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - By Fund Type
For the Year Ended June 30, 2016**

Exhibit 5

	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	\$ (200,000)	\$ -	\$ (200,000)
Bonds issued	-	1,270,000	1,270,000
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>1,270,000</u>	<u>1,070,000</u>
Net Change in Fund Balances	(90,864)	(263,715)	(354,579)
FUND BALANCES - BEGINNING	<u>421,439</u>	<u>283,423</u>	<u>704,862</u>
FUND BALANCES - ENDING	<u>\$ 330,575</u>	<u>\$ 19,708</u>	<u>\$ 350,283</u>

(Concluded)

Morehouse Parish School Board

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**Morehouse Parish School Board
Nonmajor Special Revenue Funds**

SPECIAL EDUCATION These grants to states assist them in providing a free appropriate public education to all children with disabilities.

TITLE II This program is designed to improve the skills of teachers and the quality of instruction in mathematics and science, also to increase the accessibility of such instruction to all students.

JAG/VOCATIONAL EDUCATION The purpose of these grants are to make the United States more competitive in the world economy by developing more fully the academic and occupational skills of all segments of the population, principally through concentrating resources on improving educational programs leading to academic and occupational skills needed to work in a technologically advanced society.

LA 4 The purpose of this program is to provide financial assistance to develop educational programs for preschool children that are socially and economically deprived.

8(g) These grants are used to improve student academic achievement or vocational-technical skills. Other uses are the purchase of superior textbooks and providing support for teachers in critical shortage areas.

21st CENTURY (COMMUNITY LEARNING CENTER) This program provides assistance and targeted remediation, academics such as arts and technology, and recreational activities in an effort to provide safe, enriched environments to school communities.

RURAL EDUCATION ACHIEVEMENT This program was designed to provide high poverty, rural local educational agencies with teacher professional development and educational technology.

ROTC This grant provides financial assistance to keep Reserve Officers Training Corps programs in high schools.

EAST MOREHOUSE PARISH TAX DISTRICT Ad valorem tax is used for maintenance and construction of school buildings and other school related facilities in East Morehouse Tax District.

MISCELLANEOUS GRANTS These include various small federal and state grants, such as Education Excellence and the Believe and Prepare Grant.

MOREHOUSE PARISH SCHOOL BOARD

NONMAJOR SPECIAL REVENUE FUNDS

Combining Balance Sheet

June 30, 2016

	<u>SPECIAL EDUCATION</u>	<u>TITLE II</u>	<u>JAG / VOCATIONAL EDUCATION</u>	<u>LA 4</u>	<u>8 (g)</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 41	\$ -
Receivables	469,985	198,036	70,135	131,482	29,366
Interfund receivables	-	-	-	-	-
TOTAL ASSETS	<u>469,985</u>	<u>198,036</u>	<u>70,135</u>	<u>131,523</u>	<u>29,366</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries and other payables	73,555	1,378	13,407	17,179	11,424
Interfund payable	396,430	196,658	56,728	114,344	17,942
Total Liabilities	<u>469,985</u>	<u>198,036</u>	<u>70,135</u>	<u>131,523</u>	<u>29,366</u>
Fund Balances:					
Restricted	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 469,985</u>	<u>\$ 198,036</u>	<u>\$ 70,135</u>	<u>\$ 131,523</u>	<u>\$ 29,366</u>

Exhibit 6

<u>21st CENTURY GRANT</u>	<u>RURAL EDUCATION ACHIEVEMENT</u>	<u>ROTC</u>	<u>EAST MOREHOUSE PARISH TAX DISTRICT</u>	<u>MISCELLANEOUS GRANTS</u>	<u>TOTAL</u>
\$ -	\$ -	\$ -	\$ 263,353	\$ 48,307	\$ 311,701
156,751	92,667	-	-	242,017	1,390,439
-	-	-	-	26,460	26,460
<u>156,751</u>	<u>92,667</u>	<u>-</u>	<u>263,353</u>	<u>316,784</u>	<u>1,728,600</u>
110,321	-	-	22,759	19,157	269,180
46,430	92,667	-	-	207,646	1,128,845
<u>156,751</u>	<u>92,667</u>	<u>-</u>	<u>22,759</u>	<u>226,803</u>	<u>1,398,025</u>
-	-	-	240,594	89,981	330,575
-	-	-	240,594	89,981	330,575
<u>\$ 156,751</u>	<u>\$ 92,667</u>	<u>\$ -</u>	<u>\$ 263,353</u>	<u>\$ 316,784</u>	<u>\$ 1,728,600</u>

MOREHOUSE PARISH SCHOOL BOARD

NONMAJOR SPECIAL REVENUE FUNDS
 Combining Statement of Revenues, Expenditures,
 and Change in Fund Balances
 For the Year Ended June 30, 2016

	SPECIAL EDUCATION	TITLE II	JAG / VOCATIONAL EDUCATION	LA 4	8 (g)
REVENUES					
Local sources:					
Taxes:					
Ad valorem	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	-	-	-	-	-
State sources:					
Other	-	-	-	15,088	88,745
Federal sources	1,197,880	758,977	139,713	138,913	-
Total Revenues	1,197,880	758,977	139,713	154,001	88,745
EXPENDITURES					
Current:					
Instruction:					
Regular programs	-	23,597	-	-	-
Special programs	546,933	-	-	-	-
Other instructional programs	-	10,818	139,713	154,001	88,745
Support services:					
Student services	158,509	-	-	-	-
Instructional staff support	365,824	468,326	-	-	-
General administration	117,005	56,236	-	-	-
School administration	-	-	-	-	-
Business services	-	-	-	-	-
Plant services	-	-	-	-	-
Student transportation services	9,609	-	-	-	-
Central services	-	-	-	-	-
Food services	-	-	-	-	-
Total Expenditures	1,197,880	558,977	139,713	154,001	88,745
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	-	200,000	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(200,000)	-	-	-
Total Other Financing Sources (Uses)	-	(200,000)	-	-	-
Net Changes in Fund Balances	-	-	-	-	-
FUND BALANCES - BEGINNING	-	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit 7

21st CENTURY GRANT	RURAL EDUCATION ACHIEVEMENT	ROTC	EAST MOREHOUSE PARISH TAX DISTRICT	MISCELLANEOUS GRANTS	TOTAL
\$ -	\$ -	\$ -	\$ 458,113	\$ -	\$ 458,113
-	-	-	297	-	297
-	-	-	-	151,255	255,088
524,472	109,164	99,788	-	218,499	3,187,406
524,472	109,164	99,788	458,410	369,754	3,900,904
105,556	-	-	134,786	12,497	276,436
-	-	-	26,558	17,667	591,158
240,529	98,581	99,788	41,912	9,805	883,892
-	-	-	5,831	1,185	165,525
99,222	-	-	6,750	230,365	1,170,487
50,808	10,583	-	14,307	19,714	268,653
-	-	-	29,442	-	29,442
-	-	-	2,319	-	2,319
-	-	-	267,676	-	267,676
23,357	-	-	37,362	3,848	74,176
5,000	-	-	-	47,453	52,453
-	-	-	9,551	-	9,551
524,472	109,164	99,788	576,494	342,534	3,791,768
-	-	-	(118,084)	27,220	109,136
-	-	-	-	-	(200,000)
-	-	-	-	-	(200,000)
-	-	-	(118,084)	27,220	(90,864)
-	-	-	358,678	62,761	421,439
\$ -	\$ -	\$ -	\$ 240,594	\$ 89,981	\$ 330,575

**Morehouse Parish School Board
Nonmajor Capital Projects Funds**

SCHOOL DISTRICT 12 CONSTRUCTION The capital projects funds are used to acquire and improve sites for school buildings and playgrounds, to purchase, erect, and/or improve school buildings and other school-related facilities, and to acquire the necessary equipment and furnishings for these facilities.

SCHOOL DISTRICT 12 BOND BEEKMAN The capital projects funds are used for the purpose of acquiring, constructing, improving, maintaining, or equipping public elementary and secondary schools in the district.

2014 CONSTRUCTION BOND The capital projects funds are used for the purpose of acquiring, constructing, improving or equipping public elementary and secondary schools in District 12.

MOREHOUSE PARISH SCHOOL BOARD

NONMAJOR CAPITAL PROJECTS FUNDS

Combining Balance Sheet

June 30, 2016

Exhibit 8

	<u>SCHOOL DISTRICT 12 CONSTRUCTION</u>	<u>SCHOOL DISTRICT 12 BOND BEEKMAN</u>	<u>2014 CONSTRUCTION BOND</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 13,134	\$ 2,302	\$ 15,436
Receivables	4,948	111,340	-	116,288
TOTAL ASSETS	<u>4,948</u>	<u>124,474</u>	<u>2,302</u>	<u>131,724</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Bank overdraft	676	-	-	676
Accounts, salaries, and other payables	-	111,340	-	111,340
Total Liabilities	<u>676</u>	<u>111,340</u>	<u>-</u>	<u>112,016</u>
Fund Balances:				
Restricted	4,272	13,134	2,302	19,708
Total Fund Balances	<u>4,272</u>	<u>13,134</u>	<u>2,302</u>	<u>19,708</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,948</u>	<u>\$ 124,474</u>	<u>\$ 2,302</u>	<u>\$ 131,724</u>

MOREHOUSE PARISH SCHOOL BOARD

**NONMAJOR CAPITAL PROJECTS FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2016**

Exhibit 9

	<u>SCHOOL DISTRICT 12 CONSTRUCTION</u>	<u>SCHOOL DISTRICT 12 BOND BEEKMAN</u>	<u>2014 CONSTRUCTION BOND</u>	<u>TOTAL</u>
REVENUES				
Local sources:				
Taxes:				
Ad valorem	\$ 109,176	\$ -	\$ -	\$ 109,176
Interest earnings	127	-	61	188
Other	104,804	111,356	-	216,160
Total Revenues	214,107	111,356	61	325,524
EXPENDITURES				
Current:				
Support services:				
General administration	44,120	-	-	44,120
Business services	686	-	-	686
Plant services	-	-	13,219	13,219
Capital outlay	518,290	116,870	191,188	826,348
Debt service:				
Principal retirement	925,000	-	-	925,000
Interest and bank charges	21,193	-	19,050	40,243
Bond issuance costs	9,623	-	-	9,623
Total Expenditures	1,518,912	116,870	223,457	1,859,239
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(1,304,805)	(5,514)	(223,396)	(1,533,715)
OTHER FINANCING SOURCES (USES)				
Bonds issued	1,270,000	-	-	1,270,000
Total Other Financing Sources (Uses)	1,270,000	-	-	1,270,000
Net Change in Fund Balances	(34,805)	(5,514)	(223,396)	(263,715)
FUND BALANCES - BEGINNING	39,077	18,648	225,698	283,423
FUND BALANCES - ENDING	\$ 4,272	\$ 13,134	\$ 2,302	\$ 19,708

**Morehouse Parish School Board
Agency Funds**

SCHOOL ACTIVITIES AGENCY FUND The activities of the various individual school accounts are accounted for in the school activities agency fund. While the accounts are under the supervision of the School Board, they belong to the individual schools or their student bodies and are not available for use by the School Board.

MOREHOUSE PARISH SCHOOL BOARD

AGENCY FUNDS

Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

Exhibit 10

	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, Ending</u>
*****SCHOOL ACTIVITIES FUND*****				
ASSETS				
Cash and cash equivalents	\$ 167,868	\$ 1,106,997	\$ 1,139,435	\$ 135,430
	<u>167,868</u>	<u>1,106,997</u>	<u>1,139,435</u>	<u>135,430</u>
LIABILITIES				
Deposits due others	167,868	1,106,997	1,139,435	135,430
	<u>\$ 167,868</u>	<u>\$ 1,106,997</u>	<u>\$ 1,139,435</u>	<u>\$ 135,430</u>

MOREHOUSE PARISH SCHOOL BOARD

SCHOOL ACTIVITIES AGENCY FUND
 Schedule of Changes in Deposits Due Others
 For the Year Ended June 30, 2016

Exhibit 11

<u>SCHOOL</u>	<u>Balance, Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, Ending</u>
H. V. ADAMS	\$ 21,189	\$ 57,824	\$ 71,107	\$ 7,906
MOREHOUSE JUNIOR HIGH	20,614	86,934	92,296	15,252
BASTROP HIGH	26,233	602,813	595,431	33,615
CHERRY RIDGE	2,774	47,998	44,958	5,814
DELTA HIGH	52,258	140,292	147,364	45,186
MOREHOUSE MAGNET SCHOOL	6,158	100,796	94,774	12,180
OAK HILL	8,395	33,988	34,895	7,488
PINE GROVE	6,066	32,965	33,087	5,944
SOUTH SIDE	25,523	-	25,523	-
BLA	(1,342)	3,387	-	2,045
TOTAL	<u>\$ 167,868</u>	<u>\$ 1,106,997</u>	<u>\$ 1,139,435</u>	<u>\$ 135,430</u>

Morehouse Parish School Board

**Schedule of Compensation Paid Board Members
For the Year Ended June 30, 2016**

Exhibit 12

The schedule of compensation paid to the School Board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the School Board members is included in the general administrative expenditures of the General Fund. In accordance with Louisiana Revised Statute 17:56, the School Board members have elected the monthly payment method of compensation. Under this method, each member of the School Board receives \$800 per month, and the president receives an additional \$50 per month for performing the duties of his office.

<u>Board Member</u>	<u>Amount</u>
Richard Hixon, President	\$10,200
Rose Thompson, Vice President	9,600
Karen Diel	10,200
Chasity Kennedy	9,600
Louis Melton	9,600
Leland Rawls	9,600
Colby Daniels	<u>9,600</u>
Total	<u>\$68,400</u>

Morehouse Parish School Board

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
(SUPERINTENDENT)
For the Year Ended June 30, 2016**

Exhibit 13-1

Agency Head Name: Dr. George Noflin, Superintendent (July 1, 2015 - August 31, 2015)

<u>Purpose</u>	<u>Amount</u>
Salary	<u>\$18,042</u>
Benefits-insurance	<u>2,897</u>
Benefits-retirement	<u>5,061</u>
Benefits - other (vacation leave)	<u>20,976</u>
Car allowance	<u>1,200</u>
Cell phone	<u>237</u>
Dues	<u>525</u>
Per diem	<u>278</u>
Travel	<u>601</u>
Registration fees	<u>715</u>
Conference travel	<u>879</u>

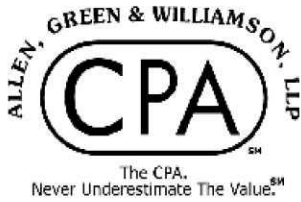
Morehouse Parish School Board

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
(SUPERINTENDENT)
For the Year Ended June 30, 2016

Exhibit 13-2

Agency Head Name: Hazel Sellers, Superintendent (September 1, 2015 - June 30, 2016)

<u>Purpose</u>	<u>Amount</u>
Salary	\$97,345
Benefits-insurance	6,224
Benefits-retirement	26,627
Car allowance	5,888
Cell phone	338
Dues	410
Per diem	298
Reimbursements	145
Travel	1,135
Registration fees	220
Conference travel	1,482



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Matt Carmichael, CPA
Eddi Hernandez, CPA
Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Morehouse Parish School Board as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated January 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, Beekman Alumni and Friends, Inc., as described in our report on Morehouse Parish School Board's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the accompanying Schedule of Findings and Questioned Costs as items 2016-002, 2016-003 and 2016-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Board'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 and 2016-004.

The School Board's Response to Findings

The School Board's response to the findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

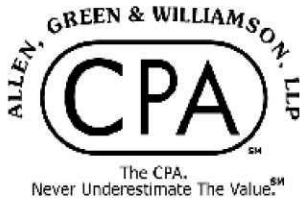
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control or compliance. This report is an integral part of an audit performed in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

Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.



ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
January 31, 2017



ALLEN, GREEN & WILLIAMSON, LLP

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Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; Required by the Uniform Guidance

Independent Auditor's Report

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Morehouse Parish School Board'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 the School Board's major federal programs for the year ended June 30, 2016. The School Board'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005, 2016-006 2016-007, 2016-008 and 2016-009. Our opinion on each major federal program is not modified with respect to these matters.

The School Board's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-005, 2016-006, 2016-007 2016-008 and 2016-009 that we consider to be significant deficiencies.

The School Board's response to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan for Current Year Audit Findings and Questioned Costs. The School Board's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
January 31, 2017

**Morehouse Parish School Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

Exhibit 14

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM NAME	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>
CASH FEDERAL AWARDS			
United States Department of Agriculture			
Passed Through Louisiana Department of Education:			
Child Nutrition Cluster:			
Cash Assistance:			
School Breakfast Program	10.553	N/A	\$ 749,902
National School Lunch Program	10.555	N/A	1,929,801
Summer Food Program	10.559	N/A	48,626
Total Cash Assistance			
Non-Cash Federal Awards:			
Food Distribution (Commodities)	10.555	N/A	<u>170,062</u>
Total Child Nutrition Cluster			\$ 2,898,391
Fresh Fruit and Vegetable Program	10.582	N/A	<u>140,167</u>
Total United States Department of Agriculture			<u>3,038,558</u>
Passed Through Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	28-16-T1-34, 28-15-BJ-34, 28-15-TA-34	4,351,404
Special Education Cluster:			
Grants to States (Part B)	84.027	28-16-B1-34	1,027,708
JAG Aim High		28-16-JP-34	56,294
Opportunity Grant- IDEA		28-15-OG-34	44,232
Preschool Grants	84.173	28-16-P1-34	<u>66,682</u>
Total Special Education Cluster			1,194,916
Vocational Education			
Basic Grants to States	84.048	28-16-02-34, 28-15-02-34	38,486
Title II (Improving Teacher Quality)	84.367	28-16-50-34	758,977
21st Century Grant	84.287C	28-16-C8-34	524,472
State Personnel Development Grant	84.323A	28-12-P6-34	59,258
School Improvement Grant	84.377	28-16-BE-34	203,998
Rural Education Achievement Program (REAP)	84.358	28-16-RE-34	<u>109,164</u>
Total United States Department of Education			<u>7,240,675</u>
United States Department of Health and Human Services			
Passed Through the Louisiana Department of Education:			
Temporary Assistance for Needy Families	93.558	28-16-36-34, 28-16-JS-34	183,846
United States Department of Defense			
Direct Programs			
Department of The Army			
ROTC	12.UNK	N/A	<u>99,788</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 10,562,867</u></u>

Morehouse Parish School Board
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

NOTE 1 - GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Morehouse Parish School Board. The information in the Schedule of Expenditures of Federal Awards 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). The School Board reporting entity is defined in note 1 to the School Board's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule. Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of the School Board, it is not intended to and does not present the financial information or change in net position of the Morehouse Parish School Board.

NOTE 2 - BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in note 1 to the School Board's basic financial statements. 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.

NOTE 3 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS Federal awards revenues are reported in the School Board's basic financial statements as follows:

Major Funds:	
Title I	\$ 4,336,903
School Food Service	3,038,558
Non Major Governmental:	
Special Education	1,197,880
Title II	758,977
JAG/ Vocational Education	139,713
LA4	138,913
21st Century	524,472
Rural Education Achivement	109,164
ROTC	99,788
Miscellaneous Grants	218,499
Total	<u>\$ 10,562,867</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

NOTE 5 - MATCHING REVENUES For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 6 - NONCASH PROGRAMS The commodities received, which are noncash revenues, are valued using prices provided by the United States Department of Agriculture.

NOTE 7 - INDIRECT COST RATE Morehouse Parish School Board has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

PART I - Summary of the Auditor's Results

Financial Statement Audit

- i. The type of audit report issued was unmodified.
- ii. There were four significant deficiencies required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.

The significant deficiency described as 2016-001 was considered to be a material weakness.

- iii. There were two instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were five significant deficiencies required to be disclosed by the Uniform Guidance. The significant deficiencies were not considered to be material weaknesses.
- v. The type of report issued on compliance for major programs was unmodified.
- vi. The audit disclosed five findings which the auditor is required to report under the Uniform Guidance.
- vii. The major federal programs are:

Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Summer Food Program	CFDA #10.559

Special Education Cluster:

Grant to States	CFDA #84.027
Preschool Grants	CFDA #84.173

School Improvement Grant	CFDA #84.377
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- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in the Uniform Guidance was \$750,000.
- ix. The auditee does not qualify as a low-risk auditee under the Uniform Guidance.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and Title: 2016-001 Internal Controls Over Financial Reporting

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: Strong internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the School Board. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the appropriate accounting period. Also, bank reconciliations should be prepared on a timely basis and should agree to the underlying financial data used to prepare the reconciliation.

Condition found:

- When comparing the year-end commodities revenue recorded by the School Board to the amount confirmed by the grantor agency, the revenue recorded was overstated by \$29,429. The auditor proposed an entry to correct this error.
- When testing a sample of six bank reconciliations completed during the audit period, it was noted that the reconciled balance per the bank reconciliation did not agree to the general ledger history provided for five of the reconciliations tested. The auditor proposed journal entries and the School Board also provided a journal entry to correct these balances. Also, it was noted that four of the bank reconciliations reviewed included old outstanding checks that have not been properly researched and remitted timely to Louisiana Unclaimed Property.
- When performing a review of payments made after year-end, there was one instance noted where an invoice for \$111,340 related to the audit period was not accrued at year-end. The School Board provided a journal entry to correct this error. Also, the auditor proposed a journal entry to record the related receivable.
- The auditor was unable to agree Minimum Foundation Program (MFP) revenue recorded to the amount confirmed by the grantor agency. The School Board provided correcting journal entries, as well as the auditor proposed correcting journal entries, to reconcile the balances.
- When testing year-end balances recorded for interfund receivables and payables, principal retirement, interest expense and accounts receivable, there were variances noted. The auditor proposed journal entries to correct these balances as of year-end.

Context: The instances noted above were identified when performing substantive testing across various account balances and appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The School Board has not established a monthly process to ensure that errors are prevented or detected and corrected on a timely basis. Also, the School Board does not have an established year-end process to ensure financial statements are complete and accurate prior to submission for audit.

Effect: The trial balances provided to the auditor had material misstatements. Also, year-end financial statements provided to management and the Board were not materially correct.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Recommendation to prevent future occurrences: The School Board should establish procedures to ensure that monthly financial statements are prepared and reviewed in a timely manner. Also, the School Board should establish procedures to ensure that bank reconciliations are properly prepared, reviewed and agree to underlying accounting records. Furthermore, procedures should be established to ensure that year-end trial balances are complete, accurate, and that all necessary adjustments have been made prior to providing trial balances for audit.

View of responsible official: The School Board will consider contracting with a fee accountant to come in and assist with updating processes that will help with establishing a monthly process to review errors as well as a new year-end checklist. The checklist will ensure that financial statements are complete and accurate prior to submission to our auditors. The new Agreed-upon Procedures developed by the Legislative Auditors make this process a must for our system.

Reference # and Title: **2016-002 Student Activity Funds**

Entity-wide or program/department specific: This finding is specific to the student activity funds.

Criteria or specific requirement: Schools should follow the School Board’s student activity funds policy.

Condition found: Audit procedures were performed at two schools for the 2015-2016 school year. The following items were noted:

Bastrop High School:

- When testing a sample of two months bank reconciliations completed during the audit period, it was noted that there were large and unusual adjustments that were showing on the bank reconciliation as outstanding for more than a year. Also, it was noted that the reconciled balance did not agree to the general ledger balance. There were outstanding deposits in transit more than a year old and there were outstanding checks more than a year old. It was also noted that some outstanding checks were removed from the bank reconciliation during the year; however, the school was unable to provide support showing the checks cleared the bank or were voided during the year. Additionally, it was noted that the year-end bank reconciliation tested during the audit process included the same exceptions as discussed above.
- When testing a sample of 15 cash receipts, there were four instance noted where the receipt could not be traced to proper supporting documentation and one instance noted where the amount received was not deposited timely.
- When testing a sample of 25 disbursements, there was one exception noted where amounts paid were not supported by proof of receipts of service.
- When testing a sample of 28 gate receipts for athletic events, there were two instances noted where the amounts received from the gate were not deposited on a timely basis, four instances noted where the ticket reconciliation form was missing or incomplete and sixteen instances noted where the ticket reconciliation form did not agree to the amount deposited.
- When reviewing the ending account balances for the months of October 2015 and April 2016, it was noted that there were deficit account balances noted for 14 accounts in the month of October and 22 accounts in the month of April. Furthermore, it was noted that the general operating fund had a deficit balance in both months selected for testing.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Delta Junior High School:

When the auditor initially started audit procedures at this school, the school was not able to provide supporting documentation for the majority of items selected for testing. Additionally, the auditor was unable to determine check ranges and deposit ranges for testing. This was primarily due to the lack of information and support available for audit. Therefore, the auditor returned all available records to the School Board for additional research and review prior to completing testing. During testing, the following items were noted:

- When testing a sample of two months bank reconciliations completed during the audit period, it was noted that there were large and unusual adjustments that were showing on the bank reconciliation as outstanding for more than a year. Also, it was noted that the reconciled balance did not agree to the general ledger balance, outstanding deposits in transit more than a year old, and outstanding checks more than a year old. Additionally, it was noted that the year-end bank reconciliation tested during the audit process included the same exceptions as discussed above.
- When testing a sample of 15 receipts, the auditor was unable to trace the funds received to a validated deposit slip, teacher's receipt log/book or the cash receipts journal for each receipt selected for testing.
- When selecting a sample of vendor disbursements for testing, it was noted that the school processed multiple checks with the same check number. Therefore, the school had to modify the check numbers when entering checks into the system and additional work was needed to determine the range of checks issued during the school year. When performing testing of 22 checks selected for testing, there were 16 instances noted where the check could not be tested due to lack of supporting documentation for the expenditure. There was one instance noted where a check only included one signature, instead of the required two signatures. Additionally, there were several checks selected for testing that could not be traced to clearing on the bank statement or to posting in the general ledger.

As a result of the concerns noted at Delta Junior High School, and as a result of the lack of supporting documentation for transactions processed during the year, the School Board contracted with an external CPA firm to perform a review of all financial records for the school. Due to the lack of supporting documentation, the external CPA was unable to perform specific testing for the audit period and was required to rely on analytical procedures to determine completeness of deposits. The analytical analysis was based on the calculated average revenue base per student for the past four school years. As a result of analytical procedures applied, it appears that the deposits for the school was approximately \$30,000 less than projected totals.

Context: The School Board has a total of nine school and a sample of two schools were selected for testing. This finding is appears to be systemic.

Possible asserted effect (cause and effect):

Cause: Primarily due to a lack of monitoring of student activity funds.

Effect: The internal controls over student activity funds are weakened, and accounting records for the schools tested are not complete.

Recommendation to prevent future occurrences: The School Board should establish procedures to ensure that the policies over student activity funds are being adhered to. The School Board should also ensure that school level faculty and staff are maintaining proper supporting documentation for funds received.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

View of responsible official: A new procedure and policy manual has been developed by an outside CPA. A mandatory training session was performed in August 2016 by the CPA for secretaries, bookkeepers, assistant principals and principals to go over the manuals. The Business Manager took all bookkeepers, except for one, to an annual training held by LASBO on Student Activity Funds in November of 2016. The Business Manager provided training to all bookkeepers, except for one, on January 13, 2017.

The outside CPA has developed templates to assist the Business Manager with monitoring student activity funds.

Reference # and Title: **2016-003 Five Percent Budget Variance**

Entity-wide or program/department specific: This finding is specific to the School Food Service fund.

Criteria or specific requirement: Louisiana Revised Statute 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and when total revenues and other sources for the remainder of the year, within a fund, are failing to meet budgeted revenues and other sources by five percent or more.

Condition found: For fiscal year ended June 30, 2016, the School Food Service fund had expenses that exceeded the budgeted amount by 7.3%

Context: This finding appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The final budget for the 2015-2016 fiscal year was based on actual expenses as of the date of the budget revision. However, entries were needed after the budget revision to finalize the year-end financial statements for the School Food Service fund.

Effect: The School Board appears to not have met state budgeting requirements.

Recommendation to prevent future occurrences: The School Board should establish procedures to ensure reports being used for budget revisions include all necessary year-end adjustments.

View of responsible official: A year-end checklist will be prepared to ensure that all entries are taken into consideration before performing a budget revision.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part II – Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and Title: **2016-004** **Late Submission of Audit Report to Legislative Auditor**

Entity-wide or program/department specific: This finding is entity wide.

Criteria or specific requirement: The audit report should be filed timely to the Louisiana Legislative Auditor (LLA) within six months after year-end, according to Louisiana R.S. 24:513A(5)(a)(i).

Condition found: The School Board did not have the audited financials submitted to the LLA in the required timeline.

Context: This finding appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The initial trial balances provided for audit were not complete and accurate. Additional time was needed for the School Board to finalize year-end account balances.

Effect: The School Board did not meet the compliance requirements with the State of Louisiana.

Recommendation to prevent future occurrences: Proper internal controls should be established to ensure year-end trial balances are complete prior to submission for audit.

View of responsible official: The Business Manager will develop a year-end checklist to ensure that information provided to the auditors are complete and accurate.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part III – Findings and questioned costs for federal awards which are required to be reported under the Uniform Guidance:

Reference # and Title: **2016-005** **Allowable Costs over TANF**

Federal program and specific federal award identification: This finding relates to Temporary Assistance for Needy Families (TANF) CFDA# 93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Criteria or specific requirement: Expenses paid for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

Condition found: When testing the payroll expenditures related to the JAG Program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that the employee did not appear to have adequate certification to be paid as a teacher for this program until March 2016.

Context: The JAG Program covers the salary for one employee, which was selected for testing. This finding appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The employment contract for the employee was not properly approved prior to beginning the contract term.

Effect: The JAG Program may not meet federal requirements regarding allowable costs.

Recommendations to prevent future occurrences: The JAG Program should establish procedures to ensure that all expenses are in accordance with program guidelines and federal allowable cost guidelines. Program expenditures should also be in compliance with the approved program budget.

View of Responsible Official: A salary schedule will be created for the JAG specialists and approved by the board. Certification for all Jag Specialists will be checked through the Louisiana Department of Education's website and copies of proper certifications for JAG specialists will be kept on file in the Personnel Department as well as in the Secondary Supervisor's office.

Reference # and Title: **2016-006** **Allowable Cost over Special Education**

Federal program and specific federal award identification: This finding relates to the Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Criteria or specific requirement: Disbursements for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part III – Findings and questioned costs for federal awards which are required to be reported under the Uniform Guidance:

Condition found: When testing the payroll expenditures related to the JAG Aim High program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that the employee did not appear to have adequate certification to be paid as a teacher for this program until March 2016.

When testing a sample of 20 vendor disbursements paid during the year related to the Special Education Cluster, there were two instances noted where the items purchased were not considered allowable based on the terms of the JAG Aim High grant.

Questioned Costs: Based on the testing of payroll and vendor disbursements noted above, the questioned costs calculated were \$25,255.

Context: This finding appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The employment contract for the employee was not properly approved prior to beginning the contract term. Also, vendor disbursements related to the JAG Aim High Program are not properly reviewed in comparison to the grant budget prior to payment.

Effect: The JAG Aim High Program may not meet federal requirements regarding allowable costs.

Recommendations to prevent future occurrences: The JAG Aim High Program should establish procedures to ensure that all expenditures are in accordance with program guidelines and federal allowable cost guidelines. Program expenditures should also be in compliance with the approved program budget.

View of Responsible Official: A salary schedule will be created for the JAG Aim High specialists and approved by the board. Certification for all Jag Specialists will be checked through the Louisiana Department of Education's website and copies of proper certifications for JAG specialists will be kept on file in the Personnel Department as well as in the Secondary Supervisor's office.

Reference # and Title: **2016-007** **JAG Eligibility**

Federal program and specific federal award identification: This finding relates to Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education. This finding also relates to Temporary Assistance for Needy Families (TANF) CFDA #93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Criteria or specific requirement: Federal guidelines require that students participating in the Jobs for America's Graduates (JAG) program and the JAG Aim High program meet certain eligibility standards prior to participation in the program.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part III – Findings and questioned costs for federal awards which are required to be reported under the Uniform Guidance:

Condition found:

- When testing a sample of six files for students selected from the JAG Aim High certified roster, the following were noted:
 - There were two instances noted where the number of barriers per the student application did not agree to the number of barriers per the certified roster.
 - There were two instances noted where the number of barriers documented for the student did not meet the minimum requirement of 3 barriers to be eligible for the program.
 - There were five instances noted where the JAG Aim High student did not sign the JAG interview form.
- When testing a sample of nine files for students selected from the JAG certified roster, the following were noted:
 - There was one instance noted where a student file was not provided for testing.
 - There were six instances noted where the number of barriers per the student application did not agree to the number of barriers per the certified roster.
 - There was one instance noted where the number of barriers documented for the student did not meet the minimum requirement of 3 barriers to be eligible for the program.

Context: The JAG Aim High certified roster included 36 students; a sample of six students was selected for testing. The JAG certified roster included 44 students; a sample of nine students was selected for testing. This finding appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The School Board may not be in compliance with eligibility requirements for the JAG and JAG Aim High programs.

Recommendations to prevent future occurrences: The School Board should establish procedures and controls to ensure eligibility requirements are met for students participating in the program and that student files are properly maintained.

View of Responsible Official: All JAG Specialist in Morehouse Parish have been replaced as well as the Secondary Supervisor who oversees the JAG program. The new JAG Specialists that are in place are working to ensure that all students have a file. Specialists are working to ensure that all JAG students have at least 3 barriers and that the barriers listed on the student application are the same as the barriers listed on the certified roster.

Reference # and Title: **2016-008** **Income and Expense Report of School Food Service**

Federal program and specific federal award identification: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2015 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part III – Findings and questioned costs for federal awards which are required to be reported under the Uniform Guidance:

Criteria or specific requirement: At fiscal year end, the School Board is required to submit the income and expense report to the Louisiana Department of Education for the fiscal year, which should reflect amounts per the accounting records of the School Food Service fund based on the Louisiana Department of Education’s prescribed object codes and functions.

Condition found: When testing the income and expense report for the year ended June 30, 2016, there were several exceptions noted where the amounts reported did not agree to supporting documentation.

Context: School Food Service remits an income and expense report at the end of each fiscal year. This report was selected for testing and the problem appears to be systemic.

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The income and expense report submitted by the School Board to the Louisiana Department of Education did not agree with supporting documentation for some amounts.

Recommendations to prevent future occurrences: The School Board should implement procedures whereby the income and expense report is reviewed by someone in the business department to ensure that the report is correct and agrees to the accounting records of the School Food Service fund.

View of Responsible Official: The CNP supervisor will work closely with the Grants Management Coordinator to ensure that there are no discrepancies with the income and expense report statement provided to the Louisiana Department of Education.

Reference # and Title: **2016-009 Special Education Program Maintenance of Effort**

Federal program and specific federal award identification: This finding relates to the Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Criteria or specific requirement: IDEA, Part B funds received by the School Board cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the School Board from local funds, or a combination of state and local funds, below the level of those expenditures for the preceding year.

Condition found: At the beginning of each year, the School Board is required to remit a Maintenance of Effort calculation to the State, documenting their compliance with IDEA, Part B level of effort. This Maintenance of Effort calculation is prepared using actual expenditures from two years prior and the budgeted amounts from the current year. Although the auditor was able to trace the Maintenance of Effort calculation to a schedule prepared by the School Board, the auditor was unable to trace the schedule to the original budget.

Context: This finding appears to be systemic.

**Morehouse Parish School Board
Schedule of Findings and Questioned Costs
As of and for the Year Ended June 30, 2016**

Part III – Findings and questioned costs for federal awards which are required to be reported under the Uniform Guidance:

Possible asserted effect (cause and effect):

Cause: The auditor was unable to determine the cause.

Effect: The Maintenance of Effort calculation submitted by the School Board to the Louisiana Department of Education did not agree with the original budget.

Recommendations to prevent future occurrences: The School Board should implement procedures whereby the Maintenance of Effort calculation is reviewed by someone in the business department prior to submission to ensure that the report is correct and agrees to the original budget.

View of Responsible Official: The Business Manager will use the original budget document to perform the MOE going forward versus a system generated report to ensure that the data provided to the LDOE is accurate.

OTHER INFORMATION

Morehouse Parish School Board
Summary Schedule of Prior Year Audit Findings and Questioned Costs
June 30, 2016

Reference # and Title: **2015-001** **Internal Controls Over Financial Reporting**

Origination date: June 30, 2015

Entity-wide or program/department specific: This finding is entity wide.

Condition: Proper internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the School Board. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the appropriate accounting period. Also, bank reconciliations should be prepared on timely basis and should agree to the underlying financial data used to prepare the reconciliation.

- When reviewing principal and interest payments made during the year, related to long-term debt payments, it was noted that the principal and interest amounts were not recorded in the proper account. A journal entry was proposed to reclassify the principal and interest expense to the correct account for financial reporting purposes.
- When reviewing the revenue and related expenses for cost reimbursement grants, it was noted that the School Board was not properly recording amounts receivable for indirect costs. A journal entry was proposed to reclassify the receivable balances to the correct account.
- When testing a sample of six bank reconciliations completed during the audit period, it was noted that the reconciled balance per the bank reconciliation did not agree to the general ledger history provided for the six reconciliations tested.
- When testing a sample of six bank reconciliations prepared at year-end, it was noted that four bank reconciliations tested did not agree to the book balance provided at year-end. It was also noted that three of the reconciliations reviewed included old outstanding checks that were outstanding more the five years. Additionally, one bank reconciliation was selected for testing related to student activity fund balances. When attempting to test the year-end reconciliation, it was noted that the school did not prepare a year-end reconciliation. Therefore, this account was not able to be fully tested.

Additionally, after reviewing the initial trial balances received for audit, it was noted that multiple accounts needed significant adjusting entries to correct account balances as of year-end. Therefore, the trial balances were returned to the client for review and correction.

Corrective action planned: See current year finding 2016-001.

Reference # and Title: **2015-002** **Late Submission of Audit Report to Legislative Auditor**

Origination date: June 30, 2015

Entity-wide or program/department specific: This finding is entity wide.

Condition: The audit report should be filed timely to the Louisiana Legislative Auditor (LLA) within six months after year-end, according to Louisiana R.S. 24:513A(5)(a)(i). The School Board did not have the audited financials submitted to the LLA in the required timeline.

Corrective action planned: See current year finding 2016-004.

Morehouse Parish School Board
Summary Schedule of Prior Year Audit Findings and Questioned Costs
June 30, 2016

Reference # and Title: **2015-003** **Title 1 Targeting**

Origination date: June 30, 2015

Federal program and specific federal award identification: This finding relates to Title I CFDA #84.010A for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Condition: Federal guidelines require that the School Board determine which schools are eligible to participate in Title I Part A based on poverty measures for children between the ages of 5 to 17.

When tracing enrollment numbers reported in the targeting calculation to proper support, it was noted that preschool students were included in the targeting calculation in error. Although there were no changes in total eligibility of the schools, it was noted that the ranking of the schools would have changed for two schools.

Corrective action taken: Ensured that preschool numbers were not included in the Title I Targeting calculation. This finding is considered cleared.

Reference # and Title: **2015-004** **Allowable Cost over TANF**

Origination date: June 30, 2015

Federal program and specific federal award identification: This finding relates to Temporary Assistance for Needy Families (TANF) CFDA# 93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Condition: Expenses paid for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

When testing the payroll expenditures related to the JAG Program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that one employee did not appear to have adequate certification to be paid as a teacher for this program

Questioned Costs: Based on the testing of payroll disbursements noted above, the questioned costs calculated were \$31,273.

Corrective action planned: See current year 2016-005.

Reference # and Title: **2015-005** **Allowable Cost over Special Education**

Origination date: June 30, 2015

Federal program and specific federal award identification: This finding relates to the Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Morehouse Parish School Board
Summary Schedule of Prior Year Audit Findings and Questioned Costs
June 30, 2016

Condition: Expenses paid for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

When testing the payroll expenditures related to the JAG Aim High program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that the employee did not appear to have adequate certification to be paid as a teacher for this program.

Questioned Costs: Based on the testing of payroll disbursements noted above, the questioned costs calculated were \$31,906.

Corrective action planned: See current year finding 2016-006.

Reference # and Title: **2015-006** **JAG Eligibility**

Origination date: June 30, 2015

Federal program and specific federal award identification: This finding relates to Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education. This finding also relates to Temporary Assistance for Needy Families (TANF) CFDA #93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Condition: Federal guidelines required that students participating in the Jobs for America's Graduates (JAG) program and the JAG Aim High program meet certain eligibility standards prior to participation in the program.

When attempting to test eligibility requirements related to the JAG and JAG Aim High program, it was noted that the JAG Specialist did not maintain student files for the students participating in the program during the audit period. Therefore, eligibility standards were not able to be tested for the JAG program and the JAG Aim High program.

Corrective action planned: See current year finding 2016-007.

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Reference # and Title: **2016-001** **Internal Controls Over Financial Reporting**

Entity-wide or program/department specific: This finding is entity wide.

Condition: Strong internal controls over financial reporting requires that accounting records contain up-to-date, accurate and complete information to ensure that the financial data can be relied upon to monitor the financial condition of the School Board. Financial records should be reviewed timely to supporting documentation to ensure that the transactions are properly recorded and classified in the appropriate accounting period. Also, bank reconciliations should be prepared on a timely basis and should agree to the underlying financial data used to prepare the reconciliation.

- When comparing the year-end commodities revenue recorded by the School Board to the amount confirmed by the grantor agency, the revenue recorded was overstated by \$29,429. The auditor proposed an entry to correct this error.
- When testing a sample of six bank reconciliations completed during the audit period, it was noted that the reconciled balance per the bank reconciliation did not agree to the general ledger history provided for five of the reconciliations tested. The auditor proposed journal entries and the School Board also provided a journal entry to correct these balances. Also, it was noted that four of the bank reconciliations reviewed included old outstanding checks that have not been properly researched and remitted timely to Louisiana Unclaimed Property.
- When performing a review of payments made after year-end, there was one instance noted where an invoice for \$111,340 related to the audit period was not accrued at year-end. The School Board provided a journal entry to correct this error. Also, the auditor proposed a journal entry to record the related receivable.
- The auditor was unable to agree Minimum Foundation Program (MFP) revenue recorded to the amount confirmed by the grantor agency. The School Board provided correcting journal entries, as well as the auditor proposed correcting journal entries, to reconcile the balances.
- When testing year-end balances recorded for interfund receivables and payables, principal retirement, interest expense and accounts receivable, there were variances noted. The auditor proposed journal entries to correct these balances as of year-end.

Corrective action planned: The School Board will ensure that the Business Department develops a year-end process that ensures that all entries are accurate in accordance with the LDOE. The Business Manager will develop a year-end schedule to ensure that the trial balance is accurate before being sent to the external auditor.

Person responsible for corrective action:

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Morehouse Parish School Board	Fax: (318) 283-3456
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Bastrop, LA 71221-0872	

Anticipated completion date: June 2017

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Reference # and Title: **2016-002** **Student Activity Funds**

Entity-wide or program/department specific: This finding is specific to the student activity funds.

Condition: Schools should follow the School Board's student activity funds policy.

Audit procedures were performed at two schools for the 2015-2016 school year. The following items were noted:

Bastrop High School:

- When testing a sample of two months bank reconciliations completed during the audit period, it was noted that there were large and unusual adjustments that were showing on the bank reconciliation as outstanding for more than a year. Also, it was noted that the reconciled balance did not agree to the general ledger balance. There were outstanding deposits in transit more than a year old and there were outstanding checks more than a year old. It was also noted that some outstanding checks were removed from the bank reconciliation during the year; however, the school was unable to provide support showing the checks cleared the bank or were voided during the year. Additionally, it was noted that the year-end bank reconciliation tested during the audit process included the same exceptions as discussed above.
- When testing a sample of 15 cash receipts, there were four instance noted where the receipt could not be traced to proper supporting documentation and one instance noted where the amount received was not deposited timely.
- When testing a sample of 25 disbursements, there was one exception noted where amounts paid were not supported by proof of receipts of service.
- When testing a sample of 28 gate receipts for athletic events, there were two instances noted where the amounts received from the gate were not deposited on a timely basis, four instances noted where the ticket reconciliation form was missing or incomplete and sixteen instances noted where the ticket reconciliation form did not agree to the amount deposited.
- When reviewing the ending account balances for the months of October 2015 and April 2016, it was noted that there were deficit account balances noted for 14 accounts in the month of October and 22 accounts in the month of April. Furthermore, it was noted that the general operating fund had a deficit balance in both months selected for testing.

Delta Junior High School:

When the auditor initially started audit procedures at this school, the school was not able to provide supporting documentation for the majority of items selected for testing. Additionally, the auditor was unable to determine check ranges and deposit ranges for testing. This was primarily due to the lack of information and support available for audit. Therefore, the auditor returned all available records to the School Board for additional research and review prior to completing testing. During testing, the following items were noted:

- When testing a sample of two months bank reconciliations completed during the audit period, it was noted that there were large and unusual adjustments that were showing on the bank reconciliation as outstanding for more than a year. Also, it was noted that the reconciled balance did not agree to the general ledger balance, outstanding deposits in transit more than a year old and outstanding checks more than a year old. Additionally, it was noted that the year-end bank reconciliation tested during the audit process included the same exceptions as discussed above.
- When testing a sample of 15 receipts, the auditor was unable to trace the funds received to a validated deposit slip, teacher's receipt log/book or the cash receipts journal for each receipt selected for testing.

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

- When selecting a sample of vendor disbursements for testing, it was noted that the school processed multiple checks with the same check number. Therefore, the school had to modify the check numbers when entering checks into the system and additional work was needed to determine the range of checks issued during the school year. When performing testing of 22 checks selected for testing, there were 16 instances noted where the check could not be tested due to lack of supporting documentation for the expenditure. There was one instance noted where a check only included one signature, instead of the required two signatures. Additionally, there were several checks selected for testing that could not be traced to clearing on the bank statement or to posting in the general ledger.

As a result of the concerns noted at Delta Junior High School, and as a result of the lack of supporting documentation for transactions processed during the year, the School Board contracted with an external CPA firm to perform a review of all financial records for the school. Due to the lack of supporting documentation, the external CPA was unable to perform specific testing for the audit period and was required to rely on analytical procedures to determine completeness of deposits. The analytical analysis was based on the calculated average revenue base per student for the past four school years. As a result of analytical procedures applied, it appears that the deposits for the school was approximately \$30,000 less than projected totals.

Corrective action planned: Three trainings will be held for bookkeepers to ensure that policies and procedures are being followed. The Business Manager will do quarterly reviews on student activity funds with the assistance of the General Ledger Accountant to ensure that proper documentation for transactions processed by the bookkeeper is kept. Three trainings have been set up for the bookkeepers and one for all principals. The bookkeeper associated with the misappropriation of funds has since been terminated. Letters were sent to the Legislative Auditor and the District Attorney.

Person responsible for corrective action:

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Anticipated completion date: January 2017

Reference # and Title: **2016-003** **Five Percent Budget Variance**

Entity-wide or program/department specific: This finding is specific to the School Food Service fund.

Condition: Louisiana Revised Statute 39:1311 requires the chief executive or administrative officer to advise the governing authority or independently elected official in writing when total expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more and when total revenues and other sources for the remainder of the year, within a fund, are failing to meet budgeted revenues and other sources by five percent or more.

For fiscal year ended June 30, 2016, the School Food Service fund had expenses that exceeded the budgeted amount by 7.3%.

Corrective action planned: Budget revisions will be prepared prior to year-end. The Business Manager will take into account the year-end entries that have to be made prior to making budget adjustments to ensure that the five percent budget variance is not violated.

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Person responsible for corrective action:

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Bastrop, LA 71221-0872	

Anticipated completion date: June 2017

Reference # and Title: **2016-004** **Late Submission of Audit Report to Legislative Auditor**

Entity-wide or program/department specific: This finding is entity wide.

Condition: The audit report should be filed timely to the Louisiana Legislative Auditor (LLA) within six months after year-end, according to Louisiana R.S. 24:513A(5)(a)(i).

The School Board did not have the audited financials submitted to the LLA in the required timeline.

Corrective action planned: The School Board will adhere to Louisiana R.S. 24:513A(5)(a)(i).

Person responsible for corrective action:

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Anticipated completion date: December 2017

Reference # and Title: **2016-005** **Allowable Costs over TANF**

Federal program and specific federal award identification: This finding relates to Temporary Assistance for Needy Families (TANF) CFDA# 93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Condition: Expenses paid for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

When testing the payroll expenditures related to the JAG Program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that the employee did not appear to have adequate certification to be paid as a teacher for this program until March 2016.

Corrective action planned: A salary schedule will be created for the JAG Specialists and approved by the board. Certification for all JAG Specialists will be checked through the Louisiana Department of Education's website and copies of proper certifications for JAG Specialists will be kept on file in the Personnel Department as well as in the Secondary Supervisor's office.

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Person responsible for corrective action:

Hazel Sellers, Superintendent	Telephone: (318) 281-5784
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Bastrop, LA 71221-0872	

Anticipated completion date: September 2016

Reference # and Title: **2016-006** **Allowable Cost over Special Education**

Federal program and specific federal award identification: This finding relates to the Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Condition: Disbursements for program costs should be supported by adequate proper documentation. Additionally, any program costs paid should be in accordance with program budgets and federal guidelines.

When testing the payroll expenditures related to the JAG Aim High program, it was noted that the amount paid to one employee for the year was not in accordance with the School Board approved salary schedule for that position. Additionally, it was noted that the employee did not appear to have adequate certification to be paid as a teacher for this program until March 2016.

When testing a sample of 20 vendor disbursements paid during the year related to the Special Education Cluster, there were two instances noted where the items purchased were not considered allowable based on the terms of the JAG Aim High grant.

Questioned Costs: Based on testing of payroll and vendor disbursements noted above, the questioned costs calculated were \$25,255.

Corrective action planned: A salary schedule will be created for the JAG Aim High Specialists and approved by the board. Certification for all JAG Specialists will be checked through the Louisiana Department of Education's website and copies of proper certifications for JAG Specialists will be kept on file in the Personnel Department as well as in the Secondary Supervisor's office. Additionally, all purchases and/or disbursements made using JAG Aim High grant money will be approved by the new Secondary Supervisor who is also responsible for the JAG program. No purchases will be made that are not allowable under the JAG Aim High Grant.

Person responsible for corrective action:

Hazel Sellers, Superintendent	Telephone: (318) 281-5784
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Bastrop, LA 71221-0872	

Anticipated completion date: September 2016

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Reference # and Title: 2016-007 JAG Eligibility

Federal program and specific federal award identification: This finding relates to Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education. This finding also relates to Temporary Assistance for Needy Families (TANF) CFDA #93.558 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Health and Human Services passed through Louisiana Department of Education.

Condition: Federal guidelines require that students participating in the Jobs for America’s Graduates (JAG) program and the JAG Aim High program meet certain eligibility standards prior to participation in the program.

- When testing a sample of six files for students selected from the JAG Aim High certified roster, the following were noted:
 - There were two instances noted where the number of barriers per the student application did not agree to the number of barriers per the certified roster.
 - There were two instances noted where the number of barriers documented for the student did not meet the minimum requirement of 3 barriers to be eligible for the program.
 - There were five instances noted where the JAG Aim High student did not sign the JAG interview form.
- When testing a sample of nine files for students selected from the JAG certified roster, the following were noted:
 - There was one instance noted where a student file was not provided for testing.
 - There were six instances noted where the number of barriers per the student application did not agree to the number of barriers per the certified roster.
 - There was one instance noted where the number of barriers documented for the student did not meet the minimum requirement of 3 barriers to be eligible for the program.

Corrective action planned: All JAG Specialists and JAG Aim High Specialists in Morehouse Parish have been replaced as well as the Secondary Supervisor who oversees the JAG program. The new JAG Specialists and JAG Aim High Specialists that are in place are working to ensure that all students have a file. The Specialists are working to ensure that all JAG students have at least 3 barriers and that the barriers listed on the student application are the same as the barriers listed on the certified roster.

Person responsible for corrective action:

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Anticipated completion date: March 2017

Reference # and Title: 2016-008 Income and Expense Report of School Food Service

Federal program and specific federal award identification: This finding relates to the Child Nutrition Cluster: School Breakfast Program CFDA# 10.553 and National School Lunch Program CFDA# 10.555 for Federal Award Year 2015 received from Federal Agency: U.S. Department of Agriculture, passed through the Louisiana Department of Education.

Morehouse Parish School Board
Corrective Action Plan for Current Year Audit Findings and Questioned Costs
June 30, 2016

Condition: At fiscal year end, the School Board is required to submit the income and expense report to the Louisiana Department of Education for the fiscal year, which should reflect amounts per the accounting records of the School Food Service fund based on the Louisiana Department of Education's prescribed object codes and functions.

When testing the income and expense report for the year ended June 30, 2016, there were several exceptions noted where the amounts reported did not agree to supporting documentation.

Corrective action planned: The CNP Supervisor will work closely with the Grants Management Coordinator to ensure that the income and expense report is accurate prior to submission to the Louisiana Department of Education.

Person responsible for corrective action:

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Anticipated completion date: June 2017

Reference # and Title: **2016-009** **Special Education Program Maintenance of Effort**

Federal program and specific federal award identification: This finding relates to the Special Education Cluster: Grants to States (Part B) CFDA #84.027, JAG Aim High CFDA #84.027 and Preschool Grants CFDA #84.173 for Federal Award Year 2015, received from Federal Agency: U.S. Department of Education passed through Louisiana Department of Education.

Condition: IDEA, Part B funds received by the School Board cannot be used, except under certain limited circumstances, to reduce the level of expenditures for the education of children with disabilities made by the School Board from local funds, or a combination of state and local funds, below the level of those expenditures for the preceding year.

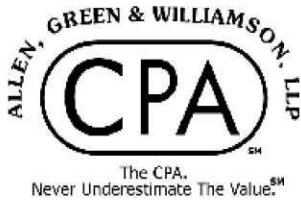
At the beginning of each year, the School Board is required to remit a Maintenance of Effort calculation to the State, documenting their compliance with IDEA, Part B level of effort. This Maintenance of Effort calculation is prepared using actual expenditures from two years prior and the budgeted amounts from the current year. Although the auditor was able to trace the Maintenance of Effort calculation to a schedule prepared by the School Board, the auditor was unable to trace the schedule to the original budget.

Corrective action planned: The Business Manager will use the original budget document to perform the MOE going forward versus a system generated report to ensure that the data provided to the LDOE is accurate.

Person responsible for corrective action:

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Anticipated completion date: September 2017



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Eddi Hernandez, CPA
Audit Manager: Margie Williamson, CPA

Ernest L. Allen, CPA
(Retired) 1963 - 2000

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board Members
Morehouse Parish School Board
Bastrop, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of the Morehouse Parish School Board, Bastrop, Louisiana, and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). Morehouse Parish School Board's management is responsible for the performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of the reports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:

- Total General Fund Instructional Expenditures,
- Total General Fund Equipment Expenditures,
- Total Local Taxation Revenue,
- Total Local Earnings on Investment in Real Property,
- Total State Revenue in Lieu of Taxes,
- Nonpublic Textbook Revenue, and
- Nonpublic Transportation Revenue.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals and Full-time Classroom Teachers" (Schedule 4) to the combined total number of full-time classroom teachers per this schedule and to school board supporting payroll records as of October 1.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

3. We reconciled the combined total of principals and assistant principals per schedule "Experience of Public Principals and Full-time Teachers" to the combined total of principals and assistant principals per this schedule.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determine if the individual's education level was properly classified on the schedule.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555)

Comment: No exceptions were noted as a result of applying agreed upon procedures.

Experience of Public Principals and Full-time Classroom Teachers (Schedule 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

Public Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Comment: There were two instances when teachers who had resigned in September and October 2015 were counted with a full-time equivalent (FTE) of 1.0.

Management's response: The personnel department will ensure that FTE is accurate prior to submitting this schedule.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1 roll books for those classes and determined if the class was properly classified on the schedule.

Comment: Delta Magnet School of Fine Arts meets the definition of an elementary school and was reported as a combination school on Schedule 6 and as an elementary school on Schedule 3.

Management's Response: The class size characteristic schedule will be corrected to change Delta Magnet School of Fine Arts to an elementary school classification.

Louisiana Educational Assessment Program (LEAP) for the 21st Century (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

The Graduation Exit Exam for the 21st Century (Schedule 8)

11. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

The Iowa Tests (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School Board.

Comment: No exceptions were noted as a result of applying agreed upon procedures.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Morehouse Parish School Board, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green & Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana

January 31, 2017

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 1

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2016**

	Column A	Column B
<u>General Fund Instructional and Equipment Expenditures</u>		
General Fund Instructional Expenditures:		
Teacher and Student Interaction Activities:		
Classroom Teacher Salaries	\$ 12,868,150	
Other Instructional Staff Salaries	1,187,836	
Instructional Staff Employee Benefits	8,536,688	
Purchased Professional and Technical Services	58,562	
Instructional Materials and Supplies	728,705	
Instructional Equipment	11,449	
Total Teacher and Student Interaction Activities	\$ 23,391,390	
Other Instructional Activities		214,663
Pupil Support Services	2,323,984	
Less: Equipment for Pupil Support Services	-	
Net Pupil Support Services	-	2,323,984
Instructional Staff Services	844,160	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services	-	844,160
School Administration	2,136,234	
Less: Equipment for School Administration	-	
Net School Administration	-	2,136,234
Total General Fund Instructional Expenditures (Total of Column B)		28,910,431
Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000)		240,336
<u>Certain Local Revenue Sources</u>		
Local Taxation Revenue:		
Ad valorem Taxes		
Constitutional Ad Valorem Taxes		811,901
Renewable Ad Valorem Tax		3,628,140
Debt Service Ad Valorem Tax		810,793
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		117,017
Penalties/Interest on Ad Valorem Taxes		-
Taxes Collected Due to Tax Incremental Financing (TIF)(Ad Valorem)		-
Sales Taxes		
Sales and Use Taxes - Gross		6,445,668
Sales/Use Taxes - Court Settlement		-
Penalties/Interest on Sales/Use Taxes		-
Sales/Use Taxes Collected Due to TIF		-
Total Local Taxation Revenue		11,813,519
Local Earnings on Investment in Real Property:		
Earnings from 16th Section Property		93,516
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property		93,516
State Revenue in Lieu of Taxes:		
Revenue Sharing - Constitutional Tax		65,520
Revenue Sharing - Other Taxes		97,337
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes		162,857
Nonpublic Textbook Revenue		6,669
Nonpublic Transportation Revenue	\$	-

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 2

**Education Levels of Public School Staff
As of October 1, 2015**

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	1	0.53%	0	0.00%	0	0.00%	0	0
Bachelor's Degree	119	62.96%	34	85.00%	0	0.00%	0	0
Master's Degree	43	22.75%	6	15.00%	3	23.08%	0	0
Master's Degree + 30	22	11.64%	0	0.00%	8	61.54%	0	0
Specialist in Education	3	1.59%	0	0.00%	0	0.00%	0	0
Ph. D. or Ed. D.	1	0.53%	0	0.00%	2	15.38%	0	0
Total	189	100.00%	40	100.00%	13	100.00%	0	0.00%

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

Schedule 3

Number and Type of Public Schools
For the Year Ended June 30, 2016

Type	Number
Elementary	6
Middle/Jr. High	1
Secondary	1
Combination	1
Total	9

Note: Schools opened or closed during the fiscal year are included in this schedule.

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 4

**Experience of Public Principals, Assistant Principals, and Full-time Classroom Teachers
As of October 1, 2015**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	1	0	0	1	3	5
Principals	0	0	0	1	1	4	2	8
Classroom Teachers	40	19	46	28	32	25	39	229
Total	40	19	47	29	33	30	44	242

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 5

**Public School Staff Data: Average Salaries
For the Year Ended June 30, 2016**

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	\$47,408.00	\$46,814.00
Average Classroom Teachers' Salary Excluding Extra Compensation	\$46,091.00	\$45,508.00
Number of Teacher Full-time Equivalents (FTEs) used in Computation of Average Salaries	242.29	222.77

Note: Figures reported include all sources of funding (i.e., federal, state, and local) but exclude stipends and employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers; some teachers may have been flagged as receiving reduced salaries (e.g., extended medical leave); and ROTC teachers usually receive more compensation because of a federal supplement. For these reasons, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes, temporary employees, and any teachers on sabbatical leave during any part of the school year.

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 6

**Class Size Characteristics
As of October 1, 2015**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	37%	124	62%	206	0%	0	1%	2
Elementary Activity Classes	34%	21	39%	24	0%	0	26%	16
Middle/Jr. High	59%	93	29%	45	12%	19	0%	0
Middle/Jr. High Activity Classes	97%	63	2%	1	2%	1	0%	0
High	67%	242	22%	79	10%	35	1%	5
High Activity Classes	96%	75	4%	3	0%	0	0%	0
Combination	64%	335	34%	179	1%	6	1%	3
Combination Activity Classes	74%	108	17%	24	3%	4	6%	9

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

Schedule 7

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2016

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	2	3	8
Mastery	15	21	12	23	18	13
Basic	21	23	39	30	25	34
Approaching Basic	28	27	22	25	35	22
Unsatisfactory	35	29	25	20	19	24

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3	2	1	1	1	4
Mastery	17	19	20	20	20	19
Basic	26	34	45	32	33	44
Approaching Basic	29	32	20	34	34	19
Unsatisfactory	24	14	15	13	12	15

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2	1	1	1	1	2
Mastery	16	12	12	13	12	5
Basic	28	32	40	27	27	48
Approaching Basic	34	38	28	39	45	20
Unsatisfactory	20	18	19	20	15	25

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	1	1	3
Mastery	22	15	8	8	10	5
Basic	38	38	38	24	25	44
Approaching Basic	29	38	31	47	48	30
Unsatisfactory	10	10	22	21	17	18

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2	1	3	1	1	2
Mastery	19	13	11	11	5	8
Basic	28	31	40	30	29	47
Approaching Basic	37	34	31	48	45	26
Unsatisfactory	14	22	15	11	20	16

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

Schedule 7

Louisiana Educational Assessment Program (LEAP)
For the Year Ended June 30, 2016

District Achievement Level Results	English Language Arts			Mathematics		
	2016	2015	2014	2016	2015	2014
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3	2	1	1	1	1
Mastery	22	20	11	7	13	4
Basic	41	28	36	16	18	40
Approaching Basic	24	33	41	44	38	29
Unsatisfactory	10	17	10	33	30	25

**MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana**

Schedule 8

**Graduation Exit Examination (GEE)
For the Year Ended June 30, 2016**

The Graduation Exit Examination is no longer administered. This schedule is no longer applicable.

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

Schedule 9

iLEAP Tests
For the Year Ended June 30, 2016

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 3 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	3	3	2	N/A	1	1
Mastery	8	9	11	N/A	11	13
Basic	31	35	36	N/A	38	41
Approaching Basic	34	32	20	N/A	27	26
Unsatisfactory	25	22	30	N/A	24	20

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 4 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2	1	2	N/A	1	1
Mastery	8	10	7	N/A	6	6
Basic	35	41	45	N/A	43	45
Approaching Basic	35	34	34	N/A	26	31
Unsatisfactory	19	14	12	N/A	25	18

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 5 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	2	1	1	N/A	1	1
Mastery	3	6	9	N/A	3	4
Basic	28	35	41	N/A	41	42
Approaching Basic	37	30	30	N/A	30	36
Unsatisfactory	29	28	20	N/A	26	19

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 6 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	1	3
Mastery	7	5	7	N/A	4	7
Basic	37	31	34	N/A	38	30
Approaching Basic	38	44	40	N/A	36	40
Unsatisfactory	18	19	18	N/A	21	21

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 7 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	2	2	N/A	2	3
Mastery	9	9	12	N/A	5	7
Basic	29	29	35	N/A	35	39
Approaching Basic	38	33	36	N/A	37	30
Unsatisfactory	23	28	15	N/A	21	20

MOREHOUSE PARISH SCHOOL BOARD
Bastrop, Louisiana

Schedule 9

iLEAP Tests
For the Year Ended June 30, 2016

District Achievement Level Results	Science			Social Studies		
	2016	2015	2014	2016	2015	2014
Grade 8 Students	Percent	Percent	Percent	Percent	Percent	Percent
Advanced	1	1	1	N/A	1	1
Mastery	5	3	9	N/A	4	6
Basic	33	31	38	N/A	24	37
Approaching Basic	37	40	35	N/A	39	34
Unsatisfactory	24	25	18	N/A	32	22