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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability and schedule of district contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2015, on my consideration of the Lamar County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lamar County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA, LLC

Ridgeland, MS
December 17, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$82,843,643, including a prior period adjustment of (\$91,296,004), which represents a 135.9% decrease from fiscal year 2014. Total net position for 2014 increased \$370,452, including a prior period adjustment of (\$1,588,107), which represents a .6% increase from fiscal year 2013.
- General revenues amounted to \$74,342,316 and \$71,051,342, or 81.8% and 84.7% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services, grants and contributions accounted for \$16,594,099, or 18.2% of total revenues for 2015, and \$12,874,549, or 15.3% of total revenues for 2014.
- The District had \$82,484,054 and \$81,967,332 in expenses for fiscal years 2015 and 2014; only \$16,594,099 for 2015 and \$12,874,549 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$74,342,316 for 2015 and \$71,051,342 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$68,768,452 in revenues and \$65,713,812 in expenditures for 2015, and \$64,798,855 in revenues and \$64,023,244 in expenditures in 2014. The General Fund's fund balance increased by \$2,636,315, including a prior period adjustment of (\$3,800) from 2014 to 2015, and decreased by \$1,288,254 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$8,693,467 for 2015 and increased by \$492,893 for 2014. The increase for 2015 was due to the addition of construction in progress, the addition of other capital assets and the increase in accumulated depreciation.
- Long-term debt decreased by \$3,710,034 for 2015 and increased by \$14,929,280 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$5,139 for 2015 and decreased by \$28,547 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, schedule of the district's proportionate share of the net pension liability and schedule of district contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$21,888,571 as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

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

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 11,703,031	\$ 8,332,600	40.45 %
Restricted assets	23,902,297	28,969,028	(17.49) %
Capital assets, net	89,887,526	81,194,059	10.71 %
Total assets	125,492,854	118,495,687	5.90 %
Deferred outflows of resources	11,838,463	2,405,442	392.15 %
Current liabilities	4,801,421	1,880,894	155.27 %
Long-term debt outstanding	54,355,129	58,065,163	(6.39) %
Net pension liability	87,394,817	0	N/A
Total liabilities	146,551,367	59,946,057	144.47 %
Deferred inflows of resources	12,668,521	0	N/A
Net position:			
Net investment in capital assets	47,123,130	39,700,382	18.70 %
Restricted	24,777,629	23,574,604	5.10 %
Unrestricted	(93,789,330)	(2,319,914)	(3942.79) %
Total net position	\$ (21,888,571)	\$ 60,955,072	(135.91) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$93,789,330)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	90,411,641
Unrestricted net position, exclusive of the net pension liability effect	<u>(\$3,377,689)</u>

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

- Increase in net capital assets in the amount of \$8,693,467.
- The principal retirement of \$3,635,000 of long-term debt.
- Inclusion of net pension liability of \$87,394,817.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$90,936,415 and \$83,925,891, respectively. The total cost of all programs and services was \$82,484,054 for 2015 and \$81,967,332 for 2014.

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

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

**Table 2
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 4,859,234	\$ 3,540,297	37.25 %
Operating grants and contributions	8,734,865	9,334,252	(6.42) %
Capital Grants and Contributions	3,000,000	0	N/A
General revenues:			
Property taxes	27,905,354	27,086,400	3.02 %
Grants and contributions not restricted	44,208,238	41,280,749	7.09 %
Investment earnings	53,535	64,448	(16.93) %
Sixteenth section sources	2,168,212	2,345,710	(7.57) %
Other	6,977	274,035	(97.45) %
Total revenues	90,936,415	83,925,891	8.35 %
Expenses:			
Instruction	44,948,287	46,026,512	(2.34) %
Support services	25,196,056	28,966,343	(13.02) %
Non-instructional	3,521,971	4,332,492	(18.71) %
Sixteenth section	42,289	57,162	(26.02) %
Pension expense	6,269,317	0	N/A
Interest on long-term liabilities	2,506,134	2,584,823	(3.04) %
Total expenses	82,484,054	81,967,332	0.63 %
Increase (Decrease) in net position	8,452,361	1,958,559	331.56 %
Net Position, July 1, as previously reported	60,955,072	60,584,620	0.61 %
Prior Period Adjustment	(91,296,004)	(1,588,107)	(5,648.73) %
Net Position, July 1, as restated	(30,340,932)	58,996,513	(151.43) %
Net Position, June 30	\$ (21,888,571)	\$ 60,955,072	(135.91) %

Governmental activities

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

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

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 44,948,287	\$ 46,026,512	(2.34) %
Support services	25,196,056	28,966,343	(13.02) %
Non-instructional	3,521,971	4,332,492	(18.71) %
Sixteenth section	42,289	57,162	(26.02) %
Pension Expense	6,269,317	0	N/A
Interest on long-term liabilities	2,506,134	2,584,823	(3.04) %
Total expenses	\$ 82,484,054	\$ 81,967,332	0.63 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (34,992,148)	\$ (40,177,648)	(12.91) %
Support services	(23,286,302)	(26,609,341)	(12.49) %
Non-instructional	1,206,235	336,191	258.79 %
Sixteenth section	(42,289)	(57,162)	(26.02) %
Pension Expense	(6,269,317)	0	N/A
Interest on long-term liabilities	(2,506,134)	(2,584,823)	(3.04) %
Total net (expense) revenue	\$ (65,889,955)	\$ (69,092,783)	(4.64) %

- Net cost of governmental activities (\$65,889,955 for 2015 and \$69,092,783 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$27,905,354 for 2015 and \$27,086,400 for 2014) and state and federal revenues (\$44,208,238 for 2015 and \$41,280,749 for 2014). In addition, there was \$2,168,212 and \$2,345,710 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$53,535 for 2015 and \$64,448 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$31,160,095, a decrease of \$4,878,683, which includes a prior period adjustment of (\$3,800) and a decrease in inventory of \$11,312. (\$3,991,513) or (13%) of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$35,151,608 or 113% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,636,315, which includes a prior period adjustment of (\$3,800). The fund balance of Other Governmental Funds showed a decrease in the amount of \$843,877, which includes a decrease in reserve for inventory of \$11,312. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
3 Mill Note Construction Fund	\$	(7,172,658)
16th Section Principal	\$	501,537

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$124,572,650, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$10,933,214 from 2014. Total accumulated depreciation as of June 30, 2015, was \$34,685,124, and total depreciation expense for the year was \$2,655,372, resulting in total net capital assets of \$89,887,526.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 602,947	\$ 602,947	0.00 %
Construction in Progress	10,379,744	2,919,285	255.56 %
Buildings	72,515,023	71,012,045	2.12 %
Improvements other than buildings	3,156,291	3,270,868	(3.50) %
Mobile equipment	2,886,835	2,959,772	(2.46) %
Furniture and equipment	346,686	429,142	(19.21) %
Total	\$ 89,887,526	\$ 81,194,059	10.71 %

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

Debt Administration. At June 30, 2015, the District had \$54,355,129 in outstanding long-term debt, of which \$4,332,677 is due within one year. The liability for compensated absences increased \$5,139 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 0	\$ 1,915,000	(100.00) %
General obligation refunding bonds payable	30,225,000	30,455,000	(0.76) %
Premium on refunding bonds payable	801,736	881,909	(9.09) %
Limited obligation refunding bonds payable	3,673,000	4,373,000	(16.01) %
Certificates of participation payable	1,625,000	1,775,000	(8.45) %
Three mill notes payable	17,260,000	17,900,000	(3.58) %
Compensated absences payable	770,393	765,254	0.67 %
Total	\$ 54,355,129	\$ 58,065,163	(6.39) %

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

CURRENT ISSUES

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lamar

BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

Governmental
Activities

Assets	
Cash and cash equivalents	\$ 9,365,466
Due from other governments	2,227,960
Other receivables, net	3,250
Inventories	106,355
Restricted assets (Note 4)	23,902,297
Non-depreciable capital assets (Note 5)	10,982,691
Depreciable capital assets, net (Note 5)	78,904,835
Total Assets	<u>125,492,854</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	9,651,697
Deferred outflows - advance refunding of debt	2,186,766
Total Deferred Outflows of Resources	<u>11,838,463</u>
Liabilities	
Accounts payable and accrued liabilities	4,445,233
Interest payable on long-term liabilities	356,188
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	4,189,000
Bond premium	80,173
Non-capital related liabilities	63,504
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	48,594,000
Bond premium	721,563
Non-capital related liabilities	706,889
Net pension liability (Note 7)	87,394,817
Total Liabilities	<u>146,551,367</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	12,668,521
Total Deferred Inflows of Resources	<u>12,668,521</u>
Net Position	
Net investment in capital assets	47,123,130
Restricted net position	
Expendable	
School-based activities	1,361,279
Debt service	2,312,955
Contractual commitments	446,083
Forestry improvements	157,495
Unemployment benefits	156,154
Non-expendable	
Sixteenth section	20,343,663
Unrestricted	<u>(93,789,330)</u>
Total Net Position	<u>\$ (21,888,571)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 44,948,287	3,360,747	3,595,392	3,000,000	(34,992,148)
Support services	25,196,056	52,643	1,857,111		(23,286,302)
Non-instructional	3,521,971	1,445,844	3,282,362		1,206,235
Sixteenth section	42,289				(42,289)
Pension expense	6,269,317				(6,269,317)
Interest on long-term liabilities	2,506,134				(2,506,134)
Total Governmental Activities	82,484,054	4,859,234	8,734,865	3,000,000	(65,889,955)
General Revenues					
Taxes					
General purpose levies					
Debt purpose levies					
Unrestricted grants and contributions					
State					
Federal					
Unrestricted investment earnings					
Sixteenth section sources					
Other					
Total General Revenues					
Changes in Net Position					
Net Position - Beginning, as previously reported)					
Prior Period Adjustments (Note 10)					
Net Position - Beginning - as restated					
Net Position - Ending					

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

LAMAR COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2015

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	3 Mill Note Construction Fund	16th Section Principal	Other Governmental Funds	
Assets					
Cash and cash equivalents (Note 2)	\$ 9,365,466	9,046,346	899,271	4,110,892	23,421,975
Cash with fiscal agent (Note 2)				18,045	18,045
Investments (Note 2)			9,178,501	649,242	9,827,743
Due from other governments	1,090,401			1,137,559	2,227,960
Other receivables, net	375				375
Due from other funds (Note 3)	977,443				977,443
Advances to other funds (Note 3)			10,884,068		10,884,068
Inventories				106,355	106,355
Total Assets	11,433,685	9,046,346	20,961,840	6,022,093	47,463,964
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	3,461,500	412,772		570,961	4,445,233
Due to other funds (Note 3)			467,912	506,656	974,568
Advances from other funds (Note 3)	10,884,068				10,884,068
Total Liabilities	14,345,568	412,772	467,912	1,077,617	16,303,869
Fund Balances					
Nonspendable					
Inventory				106,355	106,355
Permanent fund principal			9,459,595		9,459,595
Advances			10,884,068		10,884,068
Restricted					
Debt service				2,669,143	2,669,143
Capital projects		8,633,574			8,633,574
Forestry improvements				157,495	157,495
Unemployment benefits				156,154	156,154
Grant activities				1,254,924	1,254,924
Contractual commitments for construction				446,083	446,083
Assigned					
Renovations and improvements				154,322	154,322
School activities	871,047				871,047
Insurance deductibles	179,635				179,635
Other purposes	28,948		150,265		179,213
Unassigned	(3,991,513)				(3,991,513)
Total Fund Balances	(2,911,883)	8,633,574	20,493,928	4,944,476	31,160,095
Total Liabilities and Fund Balances	\$ 11,433,685	9,046,346	20,961,840	6,022,093	47,463,964

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

LAMAR COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2015

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 31,160,095
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Land	602,947
Construction in progress	10,379,744
Buildings	93,860,230
Improvement other than buildings	5,326,339
Mobile equipment	7,655,367
Furniture and equipment	6,748,023
Accumulated depreciation	<u>(34,685,124)</u>
	89,887,526
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(87,394,817)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	9,651,697
Deferred inflows of resources related to pensions	<u>(12,668,521)</u>
	(3,016,824)
Deferred outflow of resources related to advance refunding of debt in a prior year:	2,186,766
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(30,225,000)
Limited obligation bonds payable	(3,673,000)
Certificates of participation	(1,625,000)
Three mill notes payable	(17,260,000)
Compensated absences	(770,393)
Unamortized premium on bonds	(801,736)
Accrued interest payable	<u>(356,188)</u>
	(54,711,317)
Total Net Position - Governmental Activities	<u>\$ (21,888,571)</u>

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	3 Mill Note Construction Fund	16th Section Principal		
Revenues					
Local sources	\$ 25,397,438	33,743		6,042,628	31,473,809
State sources	42,091,899			3,161,243	45,253,142
Federal sources	247,139			7,442,845	7,689,984
Sixteenth section sources	1,031,976		1,090,320	45,916	2,168,212
Total Revenues	68,768,452	33,743	1,090,320	16,692,632	86,585,147
Expenditures					
Instruction	42,490,832	2,808		5,135,682	47,629,322
Support services	22,334,901	313,870		4,224,970	26,873,741
Noninstructional services	308,470			3,872,562	4,181,032
Sixteenth section	17,115			25,174	42,289
Facilities acquisition and construction	95,359	6,889,723		3,824,033	10,809,115
Debt service					
Principal (Note 6)				3,635,000	3,635,000
Interest	467,135			2,153,452	2,620,587
Other				8,900	8,900
Total Expenditures	65,713,812	7,206,401	0	22,879,773	95,799,986
Excess (Deficiency) of Revenues Over Expenditures	3,054,640	(7,172,658)	1,090,320	(6,187,141)	(9,214,839)
Other Financing Sources (Uses)					
Insurances loss recoveries	4,399			1,339,892	1,344,291
Sale of other property				6,977	6,977
Operating transfers in (Note 3)	1,896,537			2,607,073	4,503,610
Other financing sources - Capital Grant (Note 16)				3,000,000	3,000,000
Operating transfers out (Note 3)	(2,315,461)		(588,783)	(1,599,366)	(4,503,610)
Total Other Financing Sources (Uses)	(414,525)	0	(588,783)	5,354,576	4,351,268
Net Change in Fund Balances	2,640,115	(7,172,658)	501,537	(832,565)	(4,863,571)
Fund Balances					
July 1, 2014, as previously reported	(5,548,198)	15,806,232	19,992,391	5,788,353	36,038,778
Prior period adjustments (Note 10)	(3,800)				(3,800)
July 1, 2014, as restated	(5,551,998)	15,806,232	19,992,391	5,788,353	36,034,978
Decrease in reserve for inventory				(11,312)	(11,312)
June 30, 2015	\$ (2,911,883)	8,633,574	20,493,928	4,944,476	31,160,095

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

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

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ (4,863,571)

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

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

Capital outlay	11,290,650		
Depreciation expense	(2,655,372)		8,635,278

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

	(106,168)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	3,635,000		
Amortization of bond premium	80,173		
Accrued interest payable	261,856		3,977,029

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	7,314,237		
Pension expense for the current year	(5,918,911)		
Amortization of difference in proportionate share from 2013 FY to 2014 FY (Note 7)	(350,406)		1,044,920

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

Change in compensated absences	(5,139)		
Change in inventory reserve	(11,312)		
Amortization of deferred outflow - advance refunding	(218,676)		(235,127)

Changes in Net Position of Governmental Activities	\$ 8,452,361
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The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 248,017</u>
Total Assets	<u>248,017</u>
Liabilities	
Accounts payable and accrued liabilities	27,000
Due to other funds (Note 3)	2,875
Due to student clubs	<u>218,142</u>
Total Liabilities	<u>\$ 248,017</u>

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

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

Blended component unit

The Lamar County Public School Improvement Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment,

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

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

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

The school district reports the following major governmental funds:

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

3 Mill Construction Fund - This fund is used to account for construction and renovation projects in the school district and is financed with the proceeds of a 3 mill note.

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

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

Cash and cash equivalents

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

Investments

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

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

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending

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

beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

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

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

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund. See Note 9 for details.

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

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$23,421,975 and \$248,017, respectively.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$18,045.

Investments

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

<u>Types of Investments</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fidelity Municipal Money Market	< 1 Year	\$ 118,404	Not Rated
Federated US Treasury Cash Reserve	< 1 Year	649,241	AAAm
Goldman Sachs Group Inc. Note	1 to 5 Years	220,664	A-
BB & T Corporation	1 to 5 Years	252,740	A-
PNC Funding Corporation	1 to 5 Years	101,736	A3
Bear Stearns Co, Inc	1 to 5 Years	56,642	A
Wells Fargo Corporation Note	1 to 5 Years	150,590	A+
Mississippi State Referendum GO Bond	1 to 5 Years	126,894	Aa2

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Mississippi Development Bank Special Obligation	1 to 5 Years	601,428	AA-
Jackson Miss Municipal Airport Authority	5 to 10 years	107,262	Not Rated
Pike County Mississippi GO Industrial Bonds	1 to 5 Years	106,801	Not Rated
NCAU Guaranteed Bonds	1 to 5 Years	32,306	AA+
Small Business Bonds	5 to 10 years	345,263	Not Rated
Mississippi Home Corporation	> 10 years 1 to 5	98,244	Not Rated
Choctaw County GO Bonds	1 to 5 Years	77,019	Not Rated
Choctaw County GO Bonds	5 to 10 years	184,646	Not Rated
Tupelo City GO Bonds	5 to 10 years	231,253	Aa2
J P Morgan Chase & Co	1 to 5 Years	110,150	A
General Electric Capital Corporation	1 to 5 Years	305,307	AA+
Federal Home Loan Mortgage Corporation	1 to 5 Years	1,191,564	Aaa
Federal Home Loan Mortgage Corporation	> 10 years 1 to 5	333,936	Aaa
Federal Home Loan Bank	1 to 5 Years	648,972	Aaa
Government National Mortgage Association	> 10 years 1 to 5	178,044	Not Rated
Federal Farm Credit Bank	1 to 5 Years	497,190	Aaa
Federal Farm Credit Bank	5 to 10 years	199,992	AA+
Federal National Mortgage Association	1 to 5 Years	834,195	Aaa
Federal National Mortgage Association	5 to 10 years	1,390,011	Aaa
Federal National Mortgage Association	> 10 years	677,249	Aaa
		\$ 9,827,743	

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - 16th Section Principal Fund	\$ 467,912
	Other governmental funds	506,656
	Fiduciary funds	<u>2,875</u>
Total		<u>\$ 977,443</u>

The inter-fund loan to the Other Governmental Funds was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing entries. The inter-fund loan from the 16th Section Principal Fund was for board approved transfers of accumulated interest income.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major fund - 16th Section Principal Fund	General Fund	<u>\$ 10,884,068</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 794,298	\$ 435,363	\$ 1,229,661
2017	794,298	403,591	1,197,889
2018	681,798	371,819	1,053,617
2019	681,798	344,547	1,026,345
2020	681,798	317,275	999,073
2021 - 2025	3,296,990	1,183,696	4,480,686
2026 - 2030	3,063,088	536,966	3,600,054
2031 - 2032	890,000	53,400	943,400
Total	<u>\$ 10,884,068</u>	<u>\$ 3,646,657</u>	<u>\$ 14,530,725</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,315,461
Major fund - 16th Section Principal Fund	General Fund	588,783
Other governmental funds	General Fund	1,307,754
	Other governmental funds	<u>291,612</u>
Total		<u>\$ 4,503,610</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, construction fund and technology fund in the Other Governmental Funds. The transfer from the 16th Section Principal fund was to transfer interest income to the General Fund. The transfer from Other Governmental to General was for indirect cost. Transfers within the Other Governmental Funds was to eliminate a negative cash balance in a construction fund.

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the Sixteenth Section Principal Fund (Permanent Fund) and the Debt Service Funds of \$9,178,502 and \$648,971, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$14,056,509 and cash with fiscal agent totaling \$18,045 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2015
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	602,947					602,947
Construction-in-progress	2,919,285	10,717,040		(3,393,204)	136,623	10,379,744
Total non-depreciable capital assets	<u>3,522,232</u>	<u>10,717,040</u>	<u>0</u>	<u>(3,393,204)</u>	<u>136,623</u>	<u>10,982,691</u>
<u>Depreciable capital assets:</u>						
Buildings	90,629,722		(162,696)	3,393,204		93,860,230
Improvements other than buildings	5,234,264	92,075				5,326,339
Mobile equipment	7,430,678	383,335	(164,896)		6,250	7,655,367
Furniture and equipment	6,822,540	98,200	(195,467)		22,750	6,748,023
Total depreciable capital assets	<u>110,117,204</u>	<u>573,610</u>	<u>(523,059)</u>	<u>3,393,204</u>	<u>29,000</u>	<u>113,589,959</u>
<u>Less accumulated depreciation for:</u>						
Buildings	19,617,677	1,810,335	(84,496)		1,691	21,345,207
Improvements other than buildings	1,963,396	208,618			(1,966)	2,170,048
Mobile equipment	4,470,906	434,034	(141,017)		4,609	4,768,532
Furniture and equipment	6,393,398	202,385	(191,378)		(3,068)	6,401,337
Total accumulated depreciation	<u>32,445,377</u>	<u>2,655,372</u>	<u>(416,891)</u>	<u>0</u>	<u>1,266</u>	<u>34,685,124</u>
Total depreciable capital assets, net	<u>77,671,827</u>	<u>(2,081,762)</u>	<u>(106,168)</u>	<u>3,393,204</u>	<u>27,734</u>	<u>78,904,835</u>
Governmental activities capital assets, net	<u>81,194,059</u>	<u>8,635,278</u>	<u>(106,168)</u>	<u>0</u>	<u>164,357</u>	<u>89,887,526</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,727,507
Support services	866,814
Non-instructional	61,051
Total depreciation expense - Governmental activities	<u>\$ 2,655,372</u>

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

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Oak Grove High School Auditorium	\$ 7,302,032	364,088
Sumrall Softball Complex	875,758	61,985
Oak Grove Middle School Band Hall	462,300	95,727
Oak Grove High School Women's Sports Facility	529,590	26,041
Purvis Upper Elementary Multi-purpose	851,571	40,905
Bus Barn Addition	13,176	184,938
Sumrall High School Addition	131,967	870,362
Longleaf Classroom Addition	58,150	0
Sumrall Upper Elementary Addition	78,635	0
Purvis lower Elementary Addition	50,535	0
Purvis High School Addition	4,125	0
Purvis High School Cafeteria	6,571	131,580
Baxterville Roof	2,926	64,160
Oak Grove Middle School Roof	12,408	195,452
Total governmental activities	<u>\$ 10,379,744</u>	<u>2,035,238</u>

Construction projects included in governmental activities are funded with remaining proceeds of a Three Mill Note and also with local funds. Projects with a remaining commitment of \$-0- have not been formally bid by the school board.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 1,915,000		1,915,000	0	
B. General obligation refunding bonds payable	30,455,000		230,000	30,225,000	2,485,000
Premium on bonds payable	881,909		80,173	801,736	80,173
C. Limited obligation refunding bonds payable	4,373,000		700,000	3,673,000	899,000
D. Certificates of participation payable	1,775,000		150,000	1,625,000	155,000
E. Three mill notes payable	17,900,000		640,000	17,260,000	650,000
F. Compensated absences payable	765,254	5,139		770,393	63,504
Total	<u>\$ 58,065,163</u>	<u>5,139</u>	<u>3,715,173</u>	<u>54,355,129</u>	<u>4,332,677</u>

A. General obligation bonds payable

The general obligation bonds were paid in full during the fiscal year.

B. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2012	2.125	12/3/2012	6/1/2025	\$ 9,985,000	9,785,000
2. General obligation refunding bonds, 2013	2.0-5.0	3/21/2013	6/1/2023	20,700,000	20,440,000
Total				<u>\$ 30,685,000</u>	<u>30,225,000</u>

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

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

1. General obligation refunding bonds, 2012.

Year Ending June 30	Principal	Interest	Total
2016	\$ 100,000	204,481	304,481
2017	100,000	204,481	304,481
2018	105,000	200,481	305,481
2019	105,000	198,381	303,381
2020	110,000	196,281	306,281
2021 – 2025	<u>9,265,000</u>	<u>800,263</u>	<u>10,065,263</u>
Total	<u>\$ 9,785,000</u>	<u>1,804,368</u>	<u>11,589,368</u>

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

2. General obligation refunding bonds, 2013.

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,385,000	617,519	3,002,519
2017	2,500,000	545,969	3,045,969
2018	2,635,000	458,469	3,093,469
2019	2,755,000	379,419	3,134,419
2020	2,870,000	307,100	3,177,100
2021 – 2023	<u>7,295,000</u>	<u>478,600</u>	<u>7,773,600</u>
Total	<u>\$ 20,440,000</u>	<u>2,787,076</u>	<u>23,227,076</u>

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

Total general obligation refunding bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,485,000	822,000	3,307,000
2017	2,600,000	750,450	3,350,450
2018	2,740,000	658,950	3,398,950
2019	2,860,000	577,800	3,437,800
2020	2,980,000	503,381	3,483,381
2021 – 2025	<u>16,560,000</u>	<u>1,278,863</u>	<u>17,838,863</u>
Total	<u>\$ 30,225,000</u>	<u>4,591,444</u>	<u>34,816,444</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 7.2% of property assessments as of October 1, 2014.

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

C. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, 2014	.60-1.6	4/16/2014	8/1/2018	\$ 4,373,000	3,673,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 899,000	41,105	940,105
2017	910,000	32,055	942,055
2018	925,000	21,036	946,036
2019	939,000	7,511	946,511
Total	\$ 3,673,000	101,707	3,774,707

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

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$292,685) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$75,071 of those funds are applied toward this debt.

D. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, series 2003	3.79	8/1/2003	8/1/2023	\$ 3,000,000	1,625,000

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 155,000	58,650	213,650
2017	160,000	52,681	212,681
2018	165,000	46,523	211,523
2019	175,000	40,079	215,079
2020	180,000	33,352	213,352
2021 – 2024	790,000	61,398	851,398
Total	\$ 1,625,000	292,683	1,917,683

This debt will be retired from the COP Debt Service Fund (Debt Service Fund).

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$292,685) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$216,541 of those funds are applied toward this debt.

E. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2013	3.0-5.0	9/5/2013	9/1/2033	\$ 17,900,000	17,260,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 650,000	736,255	1,386,255
2017	670,000	716,454	1,386,454
2018	670,000	696,354	1,366,354
2019	690,000	672,504	1,362,504
2020	715,000	644,404	1,359,404
2021 – 2025	4,035,000	2,759,620	6,794,620
2026 – 2030	4,935,000	1,817,335	6,752,335
2031 – 2034	4,895,000	487,371	5,382,371
Total	\$ 17,260,000	8,530,297	25,790,297

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

F. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-

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

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

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$7,314,237, \$6,920,592 and \$6,169,354, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$87,394,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was .72 percent.

The effect of the school district's change in its proportionate share of the net pension liability from June 30, 2013 to June 30, 2014, resulted in the school district recording additional deferred outflows and a corresponding increase in net pension liability of \$1,324,533. The amortization of the additional deferred outflow over the service life resulted in reduction in deferred outflows and increase in pension expense of \$350,406 for the current year.

For the year ended June 30, 2015, the District recognized pension expense of \$6,269,317. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,363,333	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	12,668,521
Changes of assumptions:	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	974,127	0
District contributions subsequent to the measurement date	7,314,237	0
Total	\$ 9,651,697	\$ 12,668,521

\$7,314,237 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30,

2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:			
2016	\$	2,326,317	
2017		2,326,317	
2018		2,511,297	
2019		3,167,130	

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 119,145,197	\$ 87,394,817	\$ 60,910,279

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

Note 8 – Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 772,099
2017	772,099
2018	772,099
2019	765,761
2020	745,657
2021 – 2025	3,654,923
2026 – 2030	3,595,941
2031 – 2035	3,210,284
2036 – 2040	4,679,047
Total	\$ 18,967,910

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

Note 9 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund (General Fund) has a deficit unassigned fund balance in the amount of (\$4,347,128). The deficit fund balance is the result of advances from the 16th Section Principal Fund totaling \$10,884,068. This deficit fund balance is not in violation of state law and is not considered to be in noncompliance with the district's minimum fund balance policy.

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (98,377,153)
Deferred outflows - contributions made during fiscal year 2014	<u>6,920,592</u>
Total prior period adjustment related to GASB 68 and 71	(91,456,561)
2. Adjustments to noncapital and capital assets	164,357
3. Correction of prior year errors	<u>(3,800)</u>
Total	<u>\$ (91,296,004)</u>

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

Fund	Explanation	Amount
General Fund	Correction of prior year errors	<u>\$ (3,800)</u>

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 – Trust Certificates

A trust agreement dated August 1, 2003, was executed by and between the school district and Lamar County Public School Improvement Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$3,000,000. Approximately \$2,922,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$78,000 was used to pay the cost of issuance.

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

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 14 - Insurance loss recoveries

The School District received \$1,344,291 in insurance loss recoveries related to tornado and fire damage and automobile accidents during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss			
Recoveries	Percentage	Expense Function	
\$ 1,339,892	100%	Instruction	
4,399	0%	Support services	
<u>\$ 1,344,291</u>	<u>100%</u>		

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(93,789,330) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances and deferring the recognition of expenses associated with the advance refunding of bonds in a prior year.

Note 16 – Other Financing Sources – Capital Grant

On March 15, 2015, a Memorandum of Understanding (MOU) was entered into between the Mississippi Department of Finance and Administration (DFA) and the Lamar County School District for the purpose of establishing the agreed upon conditions under which the DFA may disburse funds to the Lamar County School District to assist in paying costs of the constructing, furnishing and equipping a new auditorium at the Oak Grove High School pursuant to Section 32 of House Bill 787, 2014 Regular Session, Laws of 2014 (the "Act"). The MOU was entered into pursuant to and subject to the terms of the Act, which authorizes an amount not to exceed \$3,000,000 for the new auditorium. On April 9, 2015, the DFA disbursed the capital grant of \$3,000,000 to the school district.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 17, 2015, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 23,978,067	25,397,438	25,397,438	1,419,371	0
State sources	41,588,436	42,091,899	42,091,899	503,463	0
Federal sources	226,987	247,139	247,139	20,152	0
Sixteenth section sources	0	1,031,976	1,031,976	1,031,976	0
Total Revenues	<u>65,793,490</u>	<u>68,768,452</u>	<u>68,768,452</u>	<u>2,974,962</u>	<u>0</u>
Expenditures					
Instruction	42,666,057	42,490,832	42,490,832	175,225	0
Support services	20,800,829	22,334,901	22,334,901	(1,534,072)	0
Noninstructional services	331,108	308,470	308,470	22,638	0
Sixteenth section	0	17,115	17,115	(17,115)	0
Facilities acquisition and construction	0	95,359	95,359	(95,359)	0
Debt service					
Principal	794,298	0	0	794,298	0
Interest	467,135	467,135	467,135	0	0
Other	5,000	0	0	5,000	0
Total Expenditures	<u>65,064,427</u>	<u>65,713,812</u>	<u>65,713,812</u>	<u>(649,385)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>729,063</u>	<u>3,054,640</u>	<u>3,054,640</u>	<u>2,325,577</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	4,399	4,399	4,399	0
Operating transfers in	4,316,980	7,296,087	1,896,537	2,979,107	(5,399,550)
Operating transfers out	(4,822,868)	(7,715,011)	(2,315,461)	(2,892,143)	5,399,550
Total Other Financing Sources (Uses)	<u>(505,888)</u>	<u>(414,525)</u>	<u>(414,525)</u>	<u>91,363</u>	<u>0</u>
Net Change in Fund Balances			<u>2,640,115</u>		
Fund Balances					
July 1, 2014, as previously reported			(5,548,198)		
Prior period adjustments			(3,800)		
July 1, 2014, as restated			<u>(5,551,998)</u>		
June 30, 2015			<u>\$ (2,911,883)</u>		

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

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

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.72%
District's proportionate share of the net pension liability (asset)	<u>\$ 87,394,817</u>
District's covered-employee payroll	<u>\$ 43,940,267</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>198.89%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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

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

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

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

	<u>2015</u>
Contractually required contribution	\$ 7,314,237
Contributions in relation to the contractually required contribution	7,314,237
Contribution deficiency (excess)	<u><u>0</u></u>
District's covered-employee payroll	\$ 46,439,650
Contributions as a percentage of covered-employee payroll	15.75%

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

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

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

(1) **Basis of Presentation.**

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

(2) **Budget Amendments and Revisions.**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,025,432
National school lunch program	10.555	3,537,617
Total child nutrition cluster		<u>4,563,049</u>
Total U.S. Department of Agriculture		<u>4,563,049</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	166,753
Total Federal Communications Commission		<u>166,753</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,500,899
Career and technical education - basic grants to states	84.048	90,014
Twenty first century community learning centers	84.287	342,619
English language acquisition grants	84.365	35,166
Improving teacher quality - state grants	84.367	312,259
Teacher incentive fund grant	84.374	71,885
Total		<u>2,352,842</u>
Special education cluster:		
Special education - grants to states	84.027	1,760,411
Special education - preschool grants	84.173	47,230
Total special education cluster		<u>1,807,641</u>
Total passed-through Mississippi Department of Education		<u>4,160,483</u>
Total U.S. Department of Education		<u>4,160,483</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	80,386
Total U.S. Department of Health and Human Services		<u>80,386</u>
Total for All Federal Awards		<u>\$ 8,970,671</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 60,550,647	46,382,441	1,797,361	4,199,328	8,171,517
Other	35,249,339	4,542,780	534,078	326,993	29,845,488
Total	<u>95,799,986</u>	<u>50,925,221</u>	<u>2,331,439</u>	<u>4,526,321</u>	<u>38,017,005</u>
Total number of students	<u>9,190</u>				
Cost per student	<u>\$ 10,425</u>	<u>5,541</u>	<u>254</u>	<u>493</u>	<u>4,137</u>

Notes to the schedule.

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

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

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

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

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

OTHER INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 25,397,438	24,736,405	23,902,962	23,311,103
State sources	42,091,899	38,967,701	38,569,617	37,345,606
Federal sources	247,139	44,833	254,395	234,186
Sixteenth section sources	1,031,976	1,049,916	622,228	1,106,962
Total Revenues	<u>68,768,452</u>	<u>64,798,855</u>	<u>63,349,202</u>	<u>61,997,857</u>
Expenditures				
Instruction	42,490,832	39,532,315	38,741,768	37,171,801
Support services	22,334,901	23,310,462	21,700,902	20,504,210
Noninstructional services	308,470	365,104	342,697	328,729
Sixteenth section	17,115	38,116	29,165	29,520
Facilities acquisition and construction	95,359	271,650	725,251	938,053
Debt service				
Principal	0	0	0	52,008
Interest	467,135	499,407	532,348	199,482
Other	0	6,190	1,940	4,440
Total Expenditures	<u>65,713,812</u>	<u>64,023,244</u>	<u>62,074,071</u>	<u>59,228,243</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,054,640</u>	<u>775,611</u>	<u>1,275,131</u>	<u>2,769,614</u>
Other Financing Sources (Uses)				
Insurances loss recoveries	4,399	93,268	0	8,364
Sale of other property	0	20,452	0	0
Operating transfers in	1,896,537	836,179	872,000	1,128,748
Other financing sources	0	30,010	0	196,889
Operating transfers out	(2,315,461)	(3,043,774)	(6,412,841)	(9,879,444)
Other financing uses	0	0	(32,911)	(791)
Total Other Financing Sources (Uses)	<u>(414,525)</u>	<u>(2,063,865)</u>	<u>(5,573,752)</u>	<u>(8,546,234)</u>
Net Change in Fund Balances	<u>2,640,115</u>	<u>(1,288,254)</u>	<u>(4,298,621)</u>	<u>(5,776,620)</u>
Fund Balances				
July 1, as previously reported	(5,548,198)	(4,259,944)	407,394	6,184,014
Prior period adjustments	(3,800)	0	(368,717)	0
July 1, as restated	<u>(5,551,998)</u>	<u>(4,259,944)</u>	<u>38,677</u>	<u>6,184,014</u>
June 30	<u>\$ (2,911,883)</u>	<u>(5,548,198)</u>	<u>(4,259,944)</u>	<u>407,394</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 31,473,809	30,972,442	28,614,589	28,082,671
State sources	45,253,142	41,907,520	41,535,281	40,237,547
Federal sources	7,689,984	6,812,569	6,692,572	7,066,846
Sixteenth section sources	2,168,212	2,345,718	1,526,634	2,230,113
Total Revenues	86,585,147	82,038,249	78,369,076	77,617,177
Expenditures				
Instruction	47,629,322	44,325,137	43,652,869	42,158,094
Support services	26,873,741	28,856,976	25,726,407	23,610,405
Noninstructional services	4,181,032	4,141,642	4,001,252	4,316,638
Sixteenth section	42,289	57,162	128,922	98,155
Facilities acquisition and construction	10,809,115	5,129,134	10,376,065	4,763,659
Debt service				
Principal	3,635,000	2,925,000	3,171,962	2,915,146
Interest	2,620,587	1,726,319	2,526,924	2,106,562
Other	8,900	144,811	6,328	7,301
Total Expenditures	95,799,986	87,306,181	89,590,729	79,975,960
Excess (Deficiency) of Revenues Over Expenditures	(9,214,839)	(5,267,932)	(11,221,653)	(2,358,783)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	30,975,000	0
Proceeds of refunding bonds	0	4,373,000	0	0
Proceeds of loans	0	17,900,000	0	0
Insurances loss recoveries	1,344,291	1,613,607	4,799,462	8,364
Sale of transportation equipment	0	20,452	0	0
Sale of other property	6,977	0	0	0
Operating transfers in	4,503,610	4,141,190	7,567,810	11,285,140
Other financing sources	3,000,000	237,171	1,966,570	219,276
Operating transfers out	(4,503,610)	(4,141,190)	(7,567,810)	(11,285,140)
Payment to refunded bond escrow agent	0	(4,337,155)	(31,802,794)	0
Other financing uses	0	(63,761)	(346,536)	(791)
Total Other Financing Sources (Uses)	4,351,268	19,743,314	5,591,702	226,849
Net Change in Fund Balances	(4,863,571)	14,475,382	(5,629,951)	(2,131,934)
Fund Balances				
July 1, as previously reported	36,038,778	20,545,401	26,525,071	28,651,917
Prior period adjustments	(3,800)	1,046,599	(399,487)	0
July 1, as restated	36,034,978	21,592,000	26,125,584	28,651,917
Increase (Decrease) in reserve for inventory	(11,312)	(28,604)	49,768	5,088
June 30	\$ 31,160,095	36,038,778	20,545,401	26,525,071

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lamar County School District's basic financial statements, and have issued my report thereon dated December 17, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
December 17, 2015

CHARLES L. SHIVERS

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

Report on Compliance for Each Major Federal Program

I have audited Lamar County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lamar County School District's major federal programs for the year ended June 30, 2015. Lamar County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Lamar County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamar County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Lamar County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Lamar County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of

expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Lamar County School District's internal control over compliance.

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

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

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
December 17, 2015

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2015, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated December 17, 2015. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$-0- of classroom supply funds carried over from previous years.

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

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

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

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

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

Charles L Shivers, CPA, LLC

Ridgeland, MS
December 17, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAMAR COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies | |
| | CFDA #: 84.010 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | c. Improving teacher quality | |
| | CFDA#: 84.367 | |
| | d. Twenty first century community learning centers | |
| | CFDA#: 84.287 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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