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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

Charles L. Shivers, CPA
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, 2014, 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, 2014, 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 and budgetary comparison information 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the 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, as required by the Mississippi Department of Education, 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 18, 2014, 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

Ridgeland, MS
December 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Lamar County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 increased \$370,452, including a prior period adjustment of (\$1,588,107), which represents a .6% increase from fiscal year 2013. Total net position for 2013 increased \$4,428,343, including a prior period adjustment of (\$244,910), which represents a 7.8% increase from fiscal year 2012.
- General revenues amounted to \$71,051,342 and \$68,512,084, or 84.7% and 86.6% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,874,549, or 15.3% of total revenues for 2014, and \$10,514,944, or 13.4% of total revenues for 2013.
- The District had \$81,967,332 and \$78,136,057 in expenses for fiscal years 2014 and 2013; only \$12,874,549 for 2014 and \$10,514,944 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$71,051,342 for 2014 and \$68,512,084 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$64,798,855 in revenues and \$64,023,244 in expenditures for 2014, and \$63,349,202 in revenues and \$62,074,071 in expenditures in 2013. The General Fund's fund balance decreased by \$1,288,254 from 2013 to 2014, and decreased by \$4,667,338 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$492,893 for 2014 and increased by \$7,562,610 for 2013. The increase for 2014 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$14,929,280 for 2014 and decreased by \$183,452 for 2013. This increase for 2014 was due primarily to the issuance of long term debt and principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$28,547 for 2014 and increased by \$11,428 for 2013.

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 and interest and other expenses 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 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60,955,072 as of June 30, 2014.

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, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 8,332,600	\$ 13,801,322	(39.62) %
Restricted assets	28,969,028	9,163,554	216.13 %
Capital assets, net	81,194,059	80,701,166	0.61 %
Total assets	118,495,687	103,666,042	14.31 %
Deferred outflows of resources	2,405,442	2,624,118	(8.33) %
Current liabilities	1,880,894	2,569,657	(26.80) %
Long-term debt outstanding	58,065,163	43,135,883	34.61 %
Total liabilities	59,946,057	45,705,540	31.16 %
Deferred inflows of resources	0	0	N/A
Net position:			
Net investment in capital assets	39,700,382	38,359,084	3.50 %
Restricted	23,574,604	23,442,473	0.56 %
Unrestricted	(2,319,914)	(1,216,937)	90.64 %
Total net position	\$ 60,955,072	\$ 60,584,620	0.61 %

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 \$492,893.
- The principal retirement of \$2,925,000 of long-term debt.
- The issuance of a 3 mill note in the amount of \$17,900,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$83,925,891 and \$79,027,028, respectively. The total cost of all programs and services was \$81,967,332 for 2014 and \$78,136,057 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,540,297	\$ 2,905,328	21.86 %
Operating grants and contributions	9,334,252	7,609,616	22.66 %
General revenues:			
Property taxes	27,086,400	25,659,400	5.56 %
Grants and contributions not restricted	41,280,749	40,643,929	1.57 %
Investment earnings	64,448	24,165	166.70 %
Sixteenth section sources	2,345,710	1,526,638	53.65 %
Other	274,035	657,952	(58.35) %
Total revenues	83,925,891	79,027,028	6.20 %
Expenses:			
Instruction	46,026,512	45,573,776	0.99 %
Support services	28,966,343	25,605,526	13.13 %
Non-instructional	4,332,492	4,113,738	5.32 %
Sixteenth section	57,162	128,922	(55.66) %
Interest on long-term liabilities	2,584,823	2,714,095	(4.76) %
Total expenses	81,967,332	78,136,057	4.90 %
Extraordinary item	0	3,782,282	(100.00) %
Increase (Decrease) in net position	1,958,559	4,673,253	(58.09) %
Net Position, July 1, as previously reported	60,584,620	56,156,277	7.89 %
Prior Period Adjustment	(1,588,107)	(244,910)	548.45 %
Net Position, July 1, as restated	58,996,513	55,911,367	5.52 %
Net Position, June 30	\$ 60,955,072	\$ 60,584,620	0.61 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Instruction	\$ 46,026,512	\$ 45,573,776	0.99 %
Support services	28,966,343	25,605,526	13.13 %
Non-instructional	4,332,492	4,113,738	5.32 %
Sixteenth section	57,162	128,922	(55.66) %
Interest on long-term liabilities	2,584,823	2,714,095	(4.76) %
Total expenses	\$ 81,967,332	\$ 78,136,057	4.90 %

	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (40,177,648)	\$ (41,426,505)	(3.01) %
Support services	(26,609,341)	(23,689,152)	12.33 %
Non-instructional	336,191	337,561	(0.41) %
Sixteenth section	(57,162)	(128,922)	(55.66) %
Interest on long-term liabilities	(2,584,823)	(2,714,095)	(4.76) %
Total net (expense) revenue	\$ (69,092,783)	\$ (67,621,113)	2.18 %

- Net cost of governmental activities (\$69,092,783 for 2014 and \$67,621,113 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$27,086,400 for 2014 and \$25,659,400 for 2013) and state and federal revenues (\$41,280,749 for 2014 and \$40,643,929 for 2013). In addition, there was \$2,345,710 and \$1,526,638 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$64,448 for 2014 and \$24,165 for 2013.
- Other general revenues amounted \$274,035 for 2014 and \$657,952 for 2013.

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 \$36,038,778, an increase of \$15,493,377, which includes a prior period adjustment of \$1,046,599 and a decrease in inventory of \$28,604. (\$8,988,224) or (25%) 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 deficit is the result of advances in the amount of \$11,678,365 which is owed to the 16th Section Principal Fund. The remaining fund balance of \$45,027,002 or 125% 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 decrease in fund balance in the General Fund for the fiscal year was \$1,288,254. The fund balance of Other Governmental Funds showed an increase in the amount of \$203,781, which includes a prior period adjustment of \$949,194 and a decrease in reserve for inventory of \$28,604. The increase in the fund balances for the other major funds were as follows:

Major Fund	Increase
3 Mill Note Construction Fund	\$ 15,806,232
16th Section Principal Fund	\$ 771,618.00

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, 2014, the District's total capital assets were \$113,639,436, 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 \$2,804,392 from 2013. Total accumulated depreciation as of June 30, 2014, was \$32,445,377, and total depreciation expense for the year was \$2,732,980, resulting in total net capital assets of \$81,194,059.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 602,947	\$ 607,017	(0.67) %
Construction in Progress	2,919,285	14,587,971	(79.99) %
Buildings	71,012,045	58,697,604	20.98 %
Improvements other than buildings	3,270,868	3,265,749	0.16 %
Mobile equipment	2,959,772	2,872,423	3.04 %
Furniture and equipment	429,142	670,402	(35.99) %
Total	\$ 81,194,059	\$ 80,701,166	0.61 %

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

Debt Administration. At June 30, 2014, the District had \$58,065,163 in outstanding long-term debt, of which \$3,754,863 is due within one year. The liability for compensated absences decreased \$28,547 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,915,000	\$ 3,695,000	(48.17) %
General obligation refunding bonds payable	30,455,000	30,685,000	(0.75) %
Premium on refunding bonds payable	881,909	962,082	(8.33) %
Limited obligation refunding bonds payable	4,373,000	5,080,000	(13.92) %
Certificates of participation payable	1,775,000	1,920,000	(7.55) %
Three mill notes payable	17,900,000	0	N/A
Compensated absences payable	765,254	793,801	(3.60) %
Total	\$ 58,065,163	\$ 43,135,883	34.61 %

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 County School District, P.O. Box 609, Purvis, MS 39475.

BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,545,868
Due from other governments	2,193,630
Other receivables, net	475,435
Inventories	117,667
Restricted assets (Note 4)	28,969,028
Non-depreciable capital assets (Note 5)	3,522,232
Depreciable capital assets, net (Note 5)	77,671,827
Total Assets	<u>118,495,687</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt (Note 16)	2,405,442
Total Deferred Outflows of Resources	<u>2,405,442</u>
Liabilities	
Accounts payable and accrued liabilities	1,255,268
Interest payable on long-term liabilities	618,044
Other payables	7,582
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	3,635,000
Premium on bonds payable	80,173
Non-capital related liabilities	39,690
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	52,783,000
Premium on bonds payable	801,736
Non-capital related liabilities	725,564
Total Liabilities	<u>59,946,057</u>
Deferred Inflows of Resources	<u>0</u>
Net Position	
Net investment in capital assets	39,700,382
Restricted net position	
Expendable	
School-based activities	1,292,252
Debt service	2,097,189
Forestry improvements	136,753
Unemployment benefits	175,716
Non-expendable	
Sixteenth section	19,872,694
Unrestricted	<u>(2,319,914)</u>
Total Net Position	<u>\$ 60,955,072</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, 2014

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 46,026,512	2,791,062	3,057,802	(40,177,648)
Support services	28,966,343	707,281	1,649,721	(26,609,341)
Non-instructional	4,332,492	41,954	4,626,729	336,191
Sixteenth section	57,162			(57,162)
Interest on long-term liabilities	2,584,823			(2,584,823)
Total Governmental Activities	81,967,332	3,540,297	9,334,252	(69,092,783)
General Revenues				
Taxes				
				22,792,196
				4,294,204
Unrestricted grants and contributions				
				461,922
				39,801,363
				1,017,464
				64,448
				2,345,710
				274,035
				<u>71,051,342</u>
Changes in Net Position				
				<u>1,958,559</u>
Net Position - Beginning , as previously reported				
				60,584,620
Prior Period Adjustments (Note 11)				
				(1,588,107)
Net Position - Beginning - as restated				
				<u>58,996,513</u>
Net Position - Ending				
				<u>\$ 60,955,072</u>

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

LAMAR COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2014

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)	\$ 4,374,693	16,439,293	1,516,409	4,284,538	26,614,933
Cash with fiscal agent (Note 2)				18,106	18,106
Investments (Note 2)			7,297,933	583,924	7,881,857
Due from other governments	1,033,687			1,159,943	2,193,630
Receivables - Insurance loss recoveries				474,019	474,019
Due from other funds (Note 3)	1,029,973				1,029,973
Advances to other funds (Note 3)			11,678,365		11,678,365
Inventories				117,667	117,667
Total Assets	<u>6,438,353</u>	<u>16,439,293</u>	<u>20,492,707</u>	<u>6,638,197</u>	<u>50,008,550</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	300,016	633,061		322,191	1,255,268
Due to other funds (Note 3)	588		500,316	527,653	1,028,557
Advances from other funds (Note 3)	11,678,365				11,678,365
Other payables	7,582				7,582
Total Liabilities	<u>11,986,551</u>	<u>633,061</u>	<u>500,316</u>	<u>849,844</u>	<u>13,969,772</u>
Fund Balances					
Nonspendable					
Inventory				117,667	117,667
Permanent fund principal			8,194,329		8,194,329
Advances			11,678,365		11,678,365
Restricted					
Debt service				2,715,233	2,715,233
Capital projects		15,806,232			15,806,232
Forestry improvements				136,753	136,753
Unemployment benefits				175,716	175,716
Grant activities				1,174,585	1,174,585
Assigned					
Renovations and improvements				1,468,399	1,468,399
School activities	774,927				774,927
Deficit state funding	2,424,505				2,424,505
Insurance deductibles	203,019				203,019
Other purposes	37,575		119,697		157,272
Unassigned	(8,988,224)				(8,988,224)
Total Fund Balances	<u>(5,548,198)</u>	<u>15,806,232</u>	<u>19,992,391</u>	<u>5,788,353</u>	<u>36,038,778</u>
Total Liabilities and Fund Balances	<u>\$ 6,438,353</u>	<u>16,439,293</u>	<u>20,492,707</u>	<u>6,638,197</u>	<u>50,008,550</u>

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, 2014

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 36,038,778
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	2,919,285
Buildings	90,629,722
Improvement other than buildings	5,234,264
Mobile equipment	7,430,678
Furniture and equipment	6,822,540
Accumulated depreciation	<u>(32,445,377)</u>
	81,194,059
Deferred outflow from advance refunding of debt	2,405,442
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	(32,370,000)
Premium on bonds payable	(881,909)
Limited obligation bonds	(4,373,000)
Certificates of participation	(1,775,000)
Three mill notes	(17,900,000)
Compensated absences	(765,254)
Deferred credit on bonds payable	
Accrued interest payable	<u>(618,044)</u>
	<u>(58,683,207)</u>
Total Net Position - Governmental Activities	<u>\$ 60,955,072</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	3 Mill Note Construction Fund	16th Section Principal	Other Governmental Funds	
Revenues					
Local sources	\$ 24,736,405	42,949		6,193,088	30,972,442
State sources	38,967,701			2,939,819	41,907,520
Federal sources	44,833			6,767,736	6,812,569
Sixteenth section sources	1,049,916		1,271,025	24,777	2,345,718
Total Revenues	64,798,855	42,949	1,271,025	15,925,420	82,038,249
Expenditures					
Instruction	39,532,315			4,792,822	44,325,137
Support services	23,310,462	371,815		5,174,699	28,856,976
Noninstructional services	365,104			3,776,538	4,141,642
Sixteenth section	38,116			19,046	57,162
Facilities acquisition and construction	271,650	1,874,563		2,982,921	5,129,134
Debt service					
Principal (Note 6)				2,925,000	2,925,000
Interest	499,407			1,226,912	1,726,319
Other	6,190	97,500		41,121	144,811
Total Expenditures	64,023,244	2,343,878	0	20,939,059	87,306,181
Excess (Deficiency) of Revenues Over Expenditures	775,611	(2,300,929)	1,271,025	(5,013,639)	(5,267,932)
Other Financing Sources (Uses)					
Proceeds of refunding bonds (Note 6)				4,373,000	4,373,000
Proceeds of loans (Note 6)		17,900,000			17,900,000
Insurances loss recoveries	93,268			1,520,339	1,613,607
Sale of other property	20,452				20,452
Operating transfers in (Note 3)	836,179			3,305,011	4,141,190
Other financing sources	30,010	207,161			237,171
Operating transfers out (Note 3)	(3,043,774)		(596,812)	(500,604)	(4,141,190)
Payment to refunded bond escrow agent				(4,337,155)	(4,337,155)
Other financing uses				(63,761)	(63,761)
Total Other Financing Sources (Uses)	(2,063,865)	18,107,161	(596,812)	4,296,830	19,743,314
Net Change in Fund Balances	(1,288,254)	15,806,232	674,213	(716,809)	14,475,382
Fund Balances					
July 1, 2013, as previously reported	(4,259,944)	0	19,220,773	5,584,572	20,545,401
Prior period adjustments (Note 11)			97,405	949,194	1,046,599
July 1, 2013, as restated	(4,259,944)	0	19,318,178	6,533,766	21,592,000
Decrease in reserve for inventory				(28,604)	(28,604)
June 30, 2014	\$ (5,548,198)	15,806,232	19,992,391	5,788,353	36,038,778

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, 2014

Exhibit D-1

Amount
 \$ 14,475,382

Net Change in Fund Balance - Governmental Funds

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	5,888,939	
Depreciation expense	<u>(2,732,980)</u>	3,155,959

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.

(28,360)

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:

Bonds and notes issued	(22,273,000)	
Payments of debt principal	7,315,173	
Accrued interest payable	<u>(467,862)</u>	(15,425,689)

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	28,547	
Change in inventory reserve	<u>(28,604)</u>	(57)

Amortization of deferred outflow from advance refund of debt

(218,676)

Changes in Net Position of Governmental Activities

\$ 1,958,559

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, 2014

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 4,039,595
Due from other funds (Note 3)	588
Other Receivables	557
	<hr/>
Total Assets	4,040,740
	<hr/> <hr/>
Liabilities	
Accounts payable and accrued liabilities	3,826,962
Due to other funds (Note 3)	2,004
Due to student clubs	211,774
	<hr/>
Total Liabilities	\$ 4,040,740
	<hr/> <hr/>

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, 2014

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 14).

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.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

The school district reports the following major governmental funds:

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

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, 2014

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.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district, 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.

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Construction in progress	0	0
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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow from advance refunding of debt. See Note 16 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are no deferred inflows presented by the school district.

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.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

9. Long-term Liabilities Debt Bond Discounts/Premiums

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

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

10. 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 or the Business Manger 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 10 for details.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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:

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 \$26,614,933 and \$4,039,595 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 \$18,106.

Investments

As of June 30, 2014, the district had the following investments.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Types of Investments	Maturities	Fair Value	Credit Rating
Fidelity Municipal Money Market	< 1 Year	\$ 709,334	Not Rated
Federated US Treasury Cash Reserve	< 1 Year	\$ 583,923	AAAm
Goldman Sachs Group Inc. Note	1 to 5 Years	\$ 228,528	A-
BB & T Corporation	1 to 5 Years	\$ 252,751	A-
PNC Funding Corporation	1 to 5 Years	\$ 103,845	A-
Bear Stearns Co, Inc	1 to 5 Years	\$ 59,504	A
Mississippi Development Bank Special Obligation	1 to 5 Years	\$ 266,625	AA-
Mississippi Development Bank Special Obligation	1 to 5 Years	\$ 344,807	Not Rated
Jackson Miss Municipal Airport Authority	5 to 10 years	\$ 108,137	Not Rated
Mississippi Home Corporation	> 10 years	\$ 80,758	Not Rated
Choctaw County GO Bonds	1 to 5 Years	\$ 264,973	Not Rated
Tupelo City GO Bonds	5 to 10 years	\$ 234,181	Aa2
J P Morgan Chase & Co	1 to 5 Years	\$ 114,512	A
General Electric Capital Corporation	1 to 5 Years	\$ 316,627	AA+
Federal Home Loan Mortgage Corporation	1 to 5 Years	\$ 708,852	Aaa
Federal Home Loan Mortgage Corporation	5 to 10 years	\$ 401,160	Aaa
Federal Home Loan Bank	1 to 5 Years	\$ 352,734	Aaa
Federal Farm Credit Bank	5 to 10 years	\$ 489,720	Aaa
National Credit Union Association	5 to 10 years	\$ 105,942	Aaa
FHR	> 10 years	\$ 444,764	Aaa
GNR	> 10 years	\$ 201,386	Aaa
FN AM	1 to 5 Years	\$ 248,170	Aaa
FNMA Pass-thru Pool	5 to 10 years	\$ 355,525	Aaa
FN MA Pass-thru	5 to 10 years	\$ 130,957	Aaa
FG 10 Year Pass-thru	5 to 10 years	\$ 224,998	Aaa
FG Pool 10 Year Pass-thru	5 to 10 years	\$ 230,024	Aaa
FG Pool 15 Year Pass-thru	> 10 years	\$ 319,120	Aaa
		<u>\$ 7,881,857</u>	

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2014, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district did not have any investments to which this would apply.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - 16th Section Principal Fund	\$ 500,316
	Other governmental funds	527,653
	Fiduciary funds	2,004
Fiduciary funds	General Fund	588
Total		<u>\$ 1,030,561</u>

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major fund - 16th Section Principal Fund	General Fund	<u>\$ 11,678,365</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
2015	\$ 794,298	467,135	1,261,433
2016	794,298	457,663	1,251,961
2017	794,298	425,891	1,220,189
2018	681,798	394,119	1,075,917
2019	681,798	362,347	1,044,145
2020 - 2024	3,333,990	1,406,055	4,740,045
2025 - 2029	3,152,885	663,082	3,815,967
2030 - 2032	1,445,000	111,200	1,556,200
Total	<u>\$ 11,678,365</u>	<u>4,287,492</u>	<u>15,965,857</u>

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,043,774
Major fund - 16th Section Principal	General Fund	596,812
Other governmental funds	General Fund	239,367
	Other governmental funds	<u>261,237</u>
Total		<u>\$ 4,141,190</u>

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

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 \$7,297,933 and \$583,924, 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 \$21,069,065 and cash with fiscal agent totaling \$18,106 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 7/1/2013	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2014
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 607,017		(4,070)			602,947
Construction-in-progress	<u>14,587,971</u>	<u>3,872,411</u>		<u>(12,926,471)</u>	<u>(2,614,626)</u>	<u>2,919,285</u>
Total non-depreciable capital	<u>15,194,988</u>	<u>3,872,411</u>	<u>(4,070)</u>	<u>(12,926,471)</u>	<u>(2,614,626)</u>	<u>3,522,232</u>
<u>Depreciable capital assets:</u>						
Buildings	76,554,812	1,148,439		12,926,471		90,629,722
Improvements other than buildings	5,021,452	212,812				5,234,264
Mobile equipment	7,107,790	545,790	(222,905)		3	7,430,678
Furniture and equipment	<u>6,956,002</u>	<u>109,487</u>	<u>(242,949)</u>			<u>6,822,540</u>
Total depreciable capital assets	<u>95,640,056</u>	<u>2,016,528</u>	<u>(465,854)</u>	<u>12,926,471</u>	<u>3</u>	<u>110,117,204</u>
<u>Less accumulated depreciation for:</u>						
Buildings	17,857,208	1,745,725			14,744	19,617,677
Improvements other than buildings	1,755,703	204,935			2,758	1,963,396
Mobile equipment	4,235,367	432,488	(201,177)		4,228	4,470,906
Furniture and equipment	<u>6,285,600</u>	<u>349,832</u>	<u>(240,387)</u>		<u>(1,647)</u>	<u>6,393,398</u>
Total accumulated depreciation	<u>30,133,878</u>	<u>2,732,980</u>	<u>(441,564)</u>	<u>0</u>	<u>20,083</u>	<u>32,445,377</u>
Total depreciable capital assets, net	<u>65,506,178</u>	<u>(716,452)</u>	<u>(24,290)</u>	<u>12,926,471</u>	<u>(20,080)</u>	<u>77,671,827</u>
Governmental activities capital assets, net	<u>\$ 80,701,166</u>	<u>3,155,959</u>	<u>(28,360)</u>	<u>0</u>	<u>(2,634,706)</u>	<u>81,194,059</u>

The adjustment to construction in progress was to remove building projects that were erroneously included as construction in progress in the prior year.

Depreciation expense was charged to the following governmental functions:

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

	Amount
Governmental activities:	
Instruction	\$ 1,701,375
Support services	869,359
Non-instructional	162,246
Total depreciation expense - Governmental activities	\$ 2,732,980

Construction in progress is composed of:

	Spent to June 30, 2014	Remaining Commitment
Governmental Activities:		
Oak Grove High School New Auditorium	\$ 1,671,894	5,869,726
Oak Grove High School Fieldhouse	1,044,722	652,764
Baxterville Classrooms	99,166	698,695
Sumrall Softball Complex	45,896	Out for Bid
Sumrall Ticket Booth	6,394	Out for Bid
Sumrall Upper Elementary Classrooms	16,013	Out for Bid
Purvis Upper Elementary Multipurpose	35,200	Out for Bid
Total governmental activities	2,919,285	7,221,185

Construction projects included in governmental activities are funded with the proceeds of 3 mill notes.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
A. General obligation bonds payable	\$ 3,695,000		(1,780,000)	1,915,000	1,915,000
B. General obligation refunding bonds payable	30,685,000		(230,000)	30,455,000	230,000
Premiums on refunding bonds payable	962,082		(80,173)	881,909	80,173
C. Limited obligation refunding bonds payable	5,080,000	4,373,000	(5,080,000)	4,373,000	700,000
D. Certificates of participation payable	1,920,000		(145,000)	1,775,000	150,000
E. Three mill notes payable	0	17,900,000		17,900,000	640,000
F. Compensated absences payable	793,801		(28,547)	765,254	39,690
Total	\$ 43,135,883	22,273,000	(7,343,720)	58,065,163	3,754,863

Summary of Reductions on Debt:

Payment on debt	\$ 2,925,000
Reductions from refunding debt	4,310,000
Bond premium amortization	80,173
Compensated absences	28,547
Total	\$ 7,343,720

A. General obligation bonds payable

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, 2005	3.5-5.0	6/1/2005	6/1/2015	\$ 43,000,000	1,915,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,915,000	95,750	2,010,750

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

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, 2014, the amount of outstanding bonded indebtedness was equal to 8.2% of property assessments as of October 1, 2013.

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
General obligation refunding bonds, 2012	2.0-2.125	12/3/2012	6/1/2025	9,985,000	9,885,000
General obligation refunding bonds, 2013	2.0-5.0	3/21/2013	6/1/2023	20,700,000	20,570,000
Total				\$ 30,685,000	30,455,000

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
2015	\$ 100,000	206,481	306,481
2016	100,000	204,481	304,481
2017	100,000	202,481	302,481
2018	105,000	200,481	305,481
2019	105,000	198,381	303,381
2020 – 2024	5,825,000	921,106	6,746,106
2025	3,550,000	75,438	3,625,438
Total	\$ 9,885,000	2,008,849	11,893,849

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

2. General obligation refunding bonds, 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 130,000	620,118	750,118
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 – 2023	10,165,000	785,700	10,950,700
Total	\$ 20,570,000	3,407,194	23,977,194

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

Total general obligation refunding bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 230,000	826,599	1,056,599
2016	2,485,000	822,000	3,307,000
2017	2,600,000	748,450	3,348,450
2018	2,740,000	658,950	3,398,950
2019	2,860,000	577,800	3,437,800
2020 – 2024	15,990,000	1,706,806	17,696,806
2025 – 2029	3,550,000	75,438	3,625,438
Total	\$ 30,455,000	5,416,043	35,871,043

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, 2006	3.5-3.875	1/26/2006	9/1/2018	\$ 8,350,000	0
State aid capital improvement refunding bonds, 2014	.60-1.6	4/16/2014	8/1/2018	4,373,000	4,373,000
Total				\$ 12,723,000	4,373,000

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

1. The state aid capital improvement refunding bonds, 2006 were advance refunded during the fiscal year. All outstanding bonds were called and paid in full.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

2. State aid capital improvement refunding bonds, 2014

Year Ending June 30	Principal	Interest	Total
2015	\$ 700,000	36,969	736,969
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	\$ 4,373,000	138,676	4,511,676

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.

Advance Refunding

On April 16, 2014, the district issued \$4,373,000 in state aid capital improvement refunding bonds (2014) with an average interest rate of 1.1% to advance refund \$4,310,000 of outstanding state aid capital improvement refunding bonds (2006) with an average interest rate of 3.6%. The net proceeds of \$4,337,155 after payments of \$35,845 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement refunding bonds (2014).

As a result, the state aid capital improvement refunding bonds (2006) are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district advance refunded the state aid capital improvement refunding bonds (2006) to reduce its total debt service payments over the remaining five years of the debt by approximately \$224,049 and to realize an economic gain of \$220,899.

D. Certificates of participation payable

As more fully explained in Note 14, 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	1,775,000

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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Year Ending June 30	Principal	Interest	Total
2015	\$ 150,000	64,430	214,430
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 – 2024	970,000	94,750	1,064,750
Total	\$ 1,775,000	357,113	2,132,113

This debt will be retired from the Athletic Project Debt Service Fund.

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	17,900,000

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 640,000	1,129,706	1,769,706
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 – 2024	3,880,000	2,917,920	6,797,920
2025 – 2029	4,725,000	2,037,445	6,762,445
2030 – 2034	5,975,000	753,365	6,728,365
Total	\$ 17,900,000	9,660,003	27,560,003

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 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. 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, 2014 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, 2014, 2013 and 2012 were \$6,428,235, \$5,722,438 and \$4,906,444, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2015	\$ 714,085
2016	726,029
2017	719,589
2018	716,984
2019	708,285
2020 – 2024	3,523,937
2025 – 2029	3,504,271
2030 – 2034	3,190,854
2035 – 2039	2,225,666
Thereafter	3,863,803
Total	\$ 19,893,503

Note 10 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund (General Fund) has a deficit unassigned fund balance in the amount of (\$8,988,224). The deficit fund balance is the result of advances from the 16th Section Principal Fund totaling \$11,678,365. 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 11 – Prior Period Adjustments

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Exhibit B - Statement of Activities

Explanation	Amount
1. Restatement of prior period asset	\$ 97,405
2. Correction of prior year payable/current year expenditure	949,194
3. Adjustments to capital assets	(2,634,706)
Total	<u>\$ (1,588,107)</u>

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

Fund	Explanation	Amount
16th Section Principal Fund	Restatement of prior period asset	\$ 97,405
Other governmental funds	Correction of prior year payable/current year expenditure	949,194
Total		<u>\$ 1,046,599</u>

Note 12 – Contingencies

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

Note 13 – 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 14 – Trust Certificates

A trust agreement dated August 1, 2003, was executed by and between the school district and Lamar County 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.

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

LAMAR COUNTY SCHOOL DISTRICT
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For Year Ended June 30, 2014

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 15 - Insurance loss recoveries

The School District received \$1,613,607 in insurance loss recoveries related to tornado damage during the 2013-2014 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
\$ 1,315,089	81%	Instruction
256,564	16%	Support services
41,954	3%	Non-instructional
\$ 1,613,607	100%	

Note 16 -- Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$2,319,914) includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$2,405,442 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expenditure and decrease unrestricted net position over the next twelve years. The deferred outflow will be amortized annually at \$218,676.

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 18, 2014 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 23,515,241	24,736,405	24,736,405	1,221,164	0
State sources	38,849,804	38,967,701	38,967,701	117,897	0
Federal sources	250,000	44,833	44,833	(205,167)	0
Sixteenth section sources	0	0	1,049,916	0	1,049,916
Total Revenues	62,615,045	63,748,939	64,798,855	1,133,894	1,049,916
Expenditures					
Instruction	40,462,746	39,532,315	39,532,315	930,431	0
Support services	19,731,404	23,292,012	23,310,462	(3,560,608)	(18,450)
Noninstructional services	311,246	365,104	365,104	(53,858)	0
Sixteenth section	0	0	38,116	0	(38,116)
Facilities acquisition and construction	0	290,100	271,650	(290,100)	18,450
Debt service					
Principal	823,548	0	0	823,548	0
Interest	532,348	0	499,407	532,348	(499,407)
Other	2,500	6,190	6,190	(3,690)	0
Total Expenditures	61,863,792	63,485,721	64,023,244	(1,621,929)	(537,523)
Excess (Deficiency) of Revenues Over Expenditures	751,253	263,218	775,611	(488,035)	512,393
Other Financing Sources (Uses)					
Insurance loss recoveries	0	93,268	93,268	93,268	0
Sale of transportation equipment	0	6,849	0	6,849	(6,849)
Sale of other property	0	13,602	20,452	13,602	6,850
Operating transfers in	3,956,480	4,443,222	836,179	486,742	(3,607,043)
Other financing sources	0	30,010	30,010	30,010	0
Operating transfers out	(4,082,732)	(6,160,679)	(3,043,774)	(2,077,947)	3,116,905
Total Other Financing Sources (Uses)	(126,252)	(1,573,728)	(2,063,865)	(1,447,476)	(490,137)
Net Change in Fund Balances			(1,288,254)		
Fund Balances					
July 1, 2013			(4,259,944)		
June 30, 2014			\$ (5,548,198)		

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

(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, 2014

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	\$ 983,188
National school lunch program	10.555	3,424,614
Total child nutrition cluster		<u>4,407,802</u>
Total U.S. Department of Agriculture		<u>4,407,802</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	40,626
Total Federal Communications Commission		<u>40,626</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,474,135
Career and technical education - basic grants to states	84.048	98,698
English language acquisition state grants	84.365	36,894
Improving teacher quality - state grants	84.367	294,341
Teacher in residence discretionary grant	84.XXX	74,865
Total		<u>1,978,933</u>
Special education cluster:		
Special education - grants to states	84.027	1,576,093
Special education - preschool grants	84.173	51,816
Total special education cluster		<u>1,627,909</u>
Total passed-through Mississippi Department of Education		<u>3,606,842</u>
Total U.S. Department of Education		<u>3,606,842</u>
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	11,796
Total U.S. Department of Health and Human Services		<u>11,796</u>
Total for All Federal Awards		<u>\$ 8,067,066</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, 2014

<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	\$ 55,183,233	42,270,378	1,638,362	3,827,463	7,447,030
Other	32,122,948	4,140,963	470,383	298,064	27,213,538
Total	<u>87,306,181</u>	<u>46,411,341</u>	<u>2,108,745</u>	<u>4,125,527</u>	<u>34,660,568</u>
Total number of students	<u>8,916</u>				
Cost per student	<u>\$ 9,792</u>	<u>5,205</u>	<u>237</u>	<u>463</u>	<u>3,887</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

	2014	2013*	2012*	2011*
Revenues				
Local sources	\$ 24,736,405	23,902,962	23,311,103	22,507,052
State sources	38,967,701	38,569,617	37,345,606	33,579,158
Federal sources	44,833	254,395	234,186	150,000
Sixteenth section sources	1,049,916	622,228	1,106,962	0
Total Revenues	64,798,855	63,349,202	61,997,857	56,236,210
Expenditures				
Instruction	39,532,315	38,741,768	37,171,801	31,490,170
Support services	23,310,462	21,700,902	20,504,210	19,675,149
Noninstructional services	365,104	342,697	328,729	326,360
Sixteenth section	38,116	29,165	29,520	0
Facilities acquisition and construction	271,650	725,251	938,053	287,450
Debt service				
Principal	0	0	52,008	55,011
Interest	499,407	532,348	199,482	213,465
Other	6,190	1,940	4,440	4,440
Total Expenditures	64,023,244	62,074,071	59,228,243	52,052,045
Excess (Deficiency) of Revenues Over Expenditures	775,611	1,275,131	2,769,614	4,184,165
Other Financing Sources (Uses)				
Insurances loss recoveries	93,268	0	8,364	204
Sale of transportation equipment	0	0	0	9,726
Sale of other property	20,452	0	0	0
Operating transfers in	836,179	872,000	1,128,748	1,154,567
Other financing sources	30,010	0	196,889	0
Operating transfers out	(3,043,774)	(6,412,841)	(9,879,444)	(2,347,375)
Other financing uses	0	(32,911)	(791)	0
Total Other Financing Sources (Uses)	(2,063,865)	(5,573,752)	(8,546,234)	(1,182,878)
Net Change in Fund Balances	(1,288,254)	(4,298,621)	(5,776,620)	3,001,287
Fund Balances				
July 1, as previously reported	(4,259,944)	407,394	6,184,014	3,164,609
Prior period adjustments	0	(368,717)	0	18,118
July 1, as restated	(4,259,944)	38,677	6,184,014	3,182,727
June 30	\$ (5,548,198)	(4,259,944)	407,394	6,184,014

* 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

	2014*	2013*	2012*	2011*
Revenues				
Local sources	\$ 30,972,442	28,614,589	28,082,671	27,201,399
State sources	41,907,520	41,535,281	40,237,547	36,478,577
Federal sources	6,812,569	6,692,572	7,066,846	11,853,654
Sixteenth section sources	2,345,718	1,526,634	2,230,113	1,884,825
Total Revenues	82,038,249	78,369,076	77,617,177	77,418,455
Expenditures				
Instruction	44,325,137	43,652,869	42,158,094	40,964,521
Support services	28,856,976	25,726,407	23,610,405	23,199,880
Noninstructional services	4,141,642	4,001,252	4,316,638	4,121,453
Sixteenth section	57,162	128,922	98,155	50,158
Facilities acquisition and construction	5,129,134	10,376,065	4,763,659	433,480
Debt service				
Principal	2,925,000	3,171,962	2,915,146	2,770,792
Interest	1,726,319	2,526,924	2,106,562	2,253,629
Other	144,811	6,328	7,301	7,265
Total Expenditures	87,306,181	89,590,729	79,975,960	73,801,178
Excess (Deficiency) of Revenues Over Expenditures	(5,267,932)	(11,221,653)	(2,358,783)	3,617,277
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	30,975,000	0	0
Proceeds of refunding bonds	4,373,000	0	0	0
Proceeds of loans	17,900,000	0	0	0
Insurances loss recoveries	1,613,607	4,799,462	8,364	204
Sale of transportation equipment	20,452	0	0	9,726
Operating transfers in	4,141,190	7,567,810	11,285,140	4,016,609
Other financing sources	237,171	1,966,570	219,276	0
Operating transfers out	(4,141,190)	(7,567,810)	(11,285,140)	(4,016,609)
Payment to refunded bond escrow agent	(4,337,155)	(31,802,794)	0	0
Other financing uses	(63,761)	(346,536)	(791)	0
Total Other Financing Sources (Uses)	19,743,314	5,591,702	226,849	9,930
Net Change in Fund Balances	14,475,382	(5,629,951)	(2,131,934)	3,627,207
Fund Balances				
July 1, as previously reported	20,545,401	26,525,071	28,651,917	25,014,581
Prior period adjustments	1,046,599	(399,487)	0	(11,670)
July 1, as restated	21,592,000	26,125,584	28,651,917	25,002,911
Increase (Decrease) in reserve for inventory	(28,604)	49,768	5,088	21,799
June 30	\$ 36,038,778	20,545,401	26,525,071	28,651,917

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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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, 2014, 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 18, 2014.

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

Ridgeland, MS
December 18, 2014

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, 2014. 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, 2014.

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

Ridgeland, MS
December 18, 2014

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

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CHARLES L. SHIVERS

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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, 2014, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated December 18, 2014. 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 used and should not be used by anyone other than these specified parties.

Charles L. Shivers, CPA

Ridgeland, MS
December 18, 2014

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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, 2014

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: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 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 and questioned costs 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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