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Audited Financial Statements  
For the Year Ended June 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Lincoln County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Lincoln County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lincoln 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**

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

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

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

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## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District Contributions on pages 8 to 15 and 49 to 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are

not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Lincoln County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 21, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$22,068,697, including a prior period adjustment of (\$23,941,075) resulting from the effect of the net pension liability, which represents a 44% decrease from fiscal year 2014. Total net position for 2014 increased \$1,643,614, including a prior period adjustment of \$196, which represents a 3% increase from fiscal year 2013.
- General revenues amounted to \$20,408,127 and \$19,451,579, or 84% and 82% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,948,542, or 16% of total revenues for 2015, and \$4,176,351, or 18% of total revenues for 2014.
- The District had \$22,484,291 and \$21,984,512 in expenses for fiscal years 2015 and 2014; only \$3,948,542 for 2015 and \$4,176,351 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,408,127 for 2015 and \$19,451,579 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,163,041 in revenues and \$17,848,955 in expenditures for 2015, and \$17,135,825 in revenues and \$16,813,361 in expenditures in 2014. The General Fund's fund balance increased by \$964,574, including the reclass of Sixteenth Section Interest Funds from Special Revenue Funds to General Fund in the amount of \$3,673,761, from 2014 to 2015, and increased by \$97,468 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$2,109 for 2015 and increased by \$224,181 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$595,000 for 2015 and decreased by \$565,000 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$4,494 for 2015 and increased by \$7,584 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

**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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions are presented in this section.

**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 \$28,132,226 as

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

of June 30, 2015.

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

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

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

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 16,522,948	\$ 16,057,589	2.90 %
Restricted assets	15,215,990	14,511,804	4.85 %
Capital assets, net	23,630,765	23,632,874	(0.01) %
<b>Total assets</b>	<b><u>55,369,703</u></b>	<b><u>54,202,267</u></b>	<b>2.15 %</b>
<b>Deferred outflows of resources</b>	<b><u>2,439,172</u></b>	<b><u>-</u></b>	<b>N/A %</b>
Current liabilities	359,341	160,631	123.71 %
Long-term debt outstanding	3,241,219	3,840,713	(15.61) %
Net pension liability	22,774,725	-	N/A %
<b>Total liabilities</b>	<b><u>26,375,285</u></b>	<b><u>4,001,344</u></b>	<b>559.16 %</b>
<b>Deferred inflows of resources</b>	<b><u>3,301,364</u></b>	<b><u>-</u></b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	20,550,765	19,957,874	2.97 %
Restricted	16,453,498	19,581,753	(15.98) %
Unrestricted	(8,872,037)	10,661,296	(183.22) %
<b>Total net position</b>	<b><u>\$ 28,132,226</u></b>	<b><u>\$ 50,200,923</u></b>	<b>(43.96) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (8,872,037)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	<u>23,636,917</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 14,764,880</u>

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

- Decrease in net capital assets in the amount of \$2,109.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.

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- The principal retirement of \$595,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$24,356,669 and \$23,627,930, respectively. The total cost of all programs and services was \$22,484,291 for 2015 and \$21,984,512 for 2014.

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

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

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 867,253	\$ 891,455	(2.71) %
Operating grants and contributions	3,081,289	3,284,896	(6.20) %
General revenues:			
Property taxes	4,428,393	3,999,426	10.73 %
Grants and contributions not restricted	14,590,952	13,536,025	7.79 %
Investment earnings	77,711	74,889	3.77 %
Sixteenth section sources	1,221,849	1,780,521	(31.38) %
Other	89,222	60,718	46.94 %
<b>Total revenues</b>	<b><u>24,356,669</u></b>	<b><u>23,627,930</u></b>	<b>3.08 %</b>
<b>Expenses:</b>			
Instruction	12,152,865	12,898,049	(5.78) %
Support services	6,985,356	7,112,008	(1.78) %
Non-instructional	1,314,581	1,381,069	(4.81) %
Sixteenth section	274,211	416,421	(34.15) %
Pension expense	1,605,219	-	
Interest on long-term liabilities	152,059	176,965	(14.07) %
<b>Total expenses</b>	<b><u>22,484,291</u></b>	<b><u>21,984,512</u></b>	<b>2.27 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>1,872,378</u></b>	<b><u>1,643,418</u></b>	<b>13.93 %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>50,200,923</u></b>	<b><u>48,557,309</u></b>	<b>3.38 %</b>
<b>Prior Period Adjustment</b>	<b><u>(23,941,075)</u></b>	<b><u>196</u></b>	<b>(12,214,934.18) %</b>
<b>Net Position, July 1, as restated</b>	<b><u>26,259,848</u></b>	<b><u>48,557,505</u></b>	<b>(45.92) %</b>
<b>Net Position, June 30</b>	<b><u>\$ 28,132,226</u></b>	<b><u>\$ 50,200,923</u></b>	<b>(43.96) %</b>

**Governmental activities**

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

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 12,152,865	\$ 12,898,049	(5.78) %
Support services	6,985,356	7,112,008	(1.78) %
Non-instructional	1,314,581	1,381,069	(4.81) %
Sixteenth section	274,211	416,421	(34.15) %
Pension Expense	1,605,219	-	
Interest on long-term liabilities	152,059	176,965	(14.07) %
<b>Total expenses</b>	<b><u>\$ 22,484,291</u></b>	<b><u>\$ 21,984,512</u></b>	<b>2.27 %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (10,305,690)	\$ (11,003,027)	(6.34) %
Support services	(6,348,662)	(6,390,558)	(0.66) %
Non-instructional	81,282	91,731	(11.39) %
Sixteenth section	(205,401)	(329,342)	(37.63) %
Pension Expense	(1,605,219)	-	
Interest on long-term liabilities	(152,059)	(176,965)	(14.07) %
<b>Total net (expense) revenue</b>	<b><u>\$ (18,535,749)</u></b>	<b><u>\$ (17,808,161)</u></b>	<b>4.09 %</b>

- Net cost of governmental activities (\$18,535,749 for 2015 and \$17,808,161 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,428,393 for 2015 and \$3,999,426 for 2014) and state and federal revenues (\$14,590,952 for 2015 and \$13,536,025 for 2014). In addition, there was \$1,221,849 and \$1,780,521 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$77,711 for 2015 and \$74,889 for 2014.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$31,413,118, an increase of \$963,777, which includes a decrease in inventory of \$14,193. \$6,737,518, or 21%, 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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

assigned to specific purposes within the general fund. The remaining fund balance of \$24,675,600, or 79%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$964,574, which includes a fund reclassification in the amount of \$3,673,761. The fund balance of Other Governmental Funds showed a decrease in the amount of \$3,664,791, which includes a fund reclassification for the Sixteenth Section Interest Funds in the amount of (\$3,673,761) and a decrease in inventory of \$14,193. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - A Basic Fund	no increase or decrease
IDEA Fund	no increase or decrease
2005 Construction Fund	\$ 2,451,566
Complex Construction Fund	\$ 682,950
Sixteenth Section Principal Fund	\$ 529,478

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$34,443,691, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$866,834 from 2014, due primarily to the ongoing construction and renovation of school facilities, the completion of building improvements, and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2015, was \$10,812,926, and total depreciation expense for the year was \$886,189, resulting in total net capital assets of \$23,630,765.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 437,901	\$ 437,901	0.00 %
Construction in Progress	742,372	362,286	104.91 %
Buildings	18,295,923	18,770,484	(2.53) %
Building improvements	1,159,363	941,298	23.17 %
Improvements other than buildings	1,852,772	1,961,895	(5.56) %
Mobile equipment	996,151	1,006,541	(1.03) %
Furniture and equipment	146,283	152,469	(4.06) %
<b>Total</b>	<b>\$ 23,630,765</b>	<b>\$ 23,632,874</b>	<b>(0.01) %</b>

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

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

**Debt Administration.** At June 30, 2015, the District had \$3,241,219 in outstanding long-term debt, of which \$634,837 is due within one year. During the fiscal year, the District made principal payments totaling \$595,000 on outstanding long-term debt. The liability for compensated absences decreased \$4,494 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,605,000	\$ 1,875,000	(14.40) %
Limited obligation bonds payable	1,475,000	1,800,000	(18.06) %
Compensated absences payable	161,219	165,713	(2.71) %
<b>Total</b>	<b><u>\$ 3,241,219</u></b>	<b><u>\$ 3,840,713</u></b>	<b>(15.61) %</b>

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

**CURRENT ISSUES**

The Lincoln 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 Lincoln County School District, P.O. Box 826, Brookhaven, MS 39602-0826.

## FINANCIAL STATEMENTS

**LINCOLN COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 15,547,400
Due from other governments	910,359
Other receivables, net	44,551
Inventories	20,638
Restricted assets	15,215,990
Capital assets, non-depreciable:	
Land	437,901
Construction in progress	742,372
Capital assets, net of accumulated depreciation:	
Buildings	18,295,923
Building improvements	1,159,363
Improvements other than buildings	1,852,772
Mobile equipment	996,151
Furniture and equipment	146,283
Total Assets	55,369,703
 <b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	2,439,172
Total Deferred Outflows of Resources	2,439,172
 <b>Liabilities</b>	
Accounts payable and accrued liabilities	325,820
Interest payable on long-term liabilities	33,521
Long-term liabilities, due within one year:	
Capital related liabilities	630,000
Non-capital related liabilities	4,837
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,450,000
Non-capital related liabilities	156,382
Net pension liability	22,774,725
Total Liabilities	26,375,285
 <b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	3,301,364
Total Deferred Inflows of Resources	3,301,364
 <b>Net Position</b>	
Net investment in capital assets	20,550,765
Restricted for:	
Expendable:	
School-based activities	602,877
Debt service	399,311
Forestry improvements	238,176
Unemployment benefits	68,430
Non-expendable:	
Sixteenth section	15,144,704
Unrestricted	(8,872,037)
Total Net Position	\$ 28,132,226

**LINCOLN COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 12,152,865	\$ 366,869	\$ 1,480,306	\$ (10,305,690)
Support services	6,985,356	-	636,694	(6,348,662)
Non-instructional	1,314,581	431,574	964,289	81,282
Sixteenth section	274,211	68,810	-	(205,401)
Pension expense	1,605,219	-	-	(1,605,219)
Interest on long-term liabilities	152,059	-	-	(152,059)
Total Governmental Activities	\$ 22,484,291	\$ 867,253	\$ 3,081,289	\$ (18,535,749)

General Revenues:

Taxes:

General purpose levies 4,055,022

Debt purpose levies 373,371

Unrestricted grants and contributions:

State 14,508,300

Federal 82,652

Unrestricted investment earnings 77,711

Sixteenth section sources 1,221,849

Other 89,222

Total General Revenues 20,408,127

Change in Net Position 1,872,378

Net Position - Beginning, as previously reported 50,200,923

Prior Period Adjustments (23,941,075)

Net Position - Beginning, as restated 26,259,848

Net Position - Ending \$ 28,132,226

**LINCOLN COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Exhibit C**

**Balance Sheet**  
**June 30, 2015**

	Major Funds							Total Governmental Funds
	General Fund	Title I - A Basic Fund	IDEA Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 7,506,231	\$ -	\$ -	\$ 3,234,669	\$ 3,914,695	\$ 15,024,300	\$ 891,805	\$ 30,571,700
Cash with fiscal agents	-	-	-	-	-	-	191,690	191,690
Due from other governments	412,810	82,042	61,849	-	-	94,719	257,774	909,194
Other receivables, net	6,112	-	-	-	-	33,953	4,486	44,551
Due from other funds	164,804	-	-	-	-	-	299	165,103
Inventories	-	-	-	-	-	-	20,638	20,638
Total assets	\$ 8,089,957	\$ 82,042	\$ 61,849	\$ 3,234,669	\$ 3,914,695	\$ 15,152,972	\$ 1,366,692	\$ 31,902,876
<b>Liabilities and Fund Balances</b>								
Accounts payable and accrued liabilities	\$ 98,816	\$ -	\$ -	\$ 214,406	\$ -	\$ 5,162	\$ 7,436	\$ 325,820
Due to other funds	-	82,042	61,849	-	-	-	20,047	163,938
Total Liabilities	98,816	82,042	61,849	214,406	-	5,162	27,483	489,758
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Inventory	-	-	-	-	-	-	20,638	20,638
Permanent fund principal	-	-	-	-	-	15,144,704	-	15,144,704
<b>Restricted:</b>								
Debt service	-	-	-	-	-	-	432,832	432,832
Forestry improvement purposes	-	-	-	-	-	-	238,176	238,176
Grant activities	-	-	-	-	-	-	132,242	132,242
Unemployment benefits	-	-	-	-	-	-	68,430	68,430
Food service	-	-	-	-	-	-	446,891	446,891
Other purposes	-	-	-	-	-	3,106	-	3,106
<b>Committed:</b>								
Textbooks	118,185	-	-	-	-	-	-	118,185
Repair and renovations	953,530	-	-	-	-	-	-	953,530
Capital improvements	-	-	-	3,020,263	3,914,695	-	-	6,934,958
<b>Assigned:</b>								
Activity funds	181,908	-	-	-	-	-	-	181,908
<b>Unassigned</b>	6,737,518	-	-	-	-	-	-	6,737,518
Total Fund Balances	7,991,141	-	-	3,020,263	3,914,695	15,147,810	1,339,209	31,413,118
Total Liabilities and Fund Balances	\$ 8,089,957	\$ 82,042	\$ 61,849	\$ 3,234,669	\$ 3,914,695	\$ 15,152,972	\$ 1,366,692	\$ 31,902,876

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

**LINCOLN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 31,413,118

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

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

Land	\$ 437,901	
Construction in progress	742,372	
Buildings	24,849,150	
Building improvements	1,563,922	
Improvements other than buildings	2,810,745	
Mobile equipment	3,132,990	
Furniture and equipment	906,611	
Accumulated depreciation	<u>(10,812,926)</u>	23,630,765

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

Net pension liability (22,774,725)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,439,172	
Deferred inflows of resources related to pensions	<u>(3,301,364)</u>	(23,636,917)

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

General obligation bonds	(1,605,000)	
Limited obligation bonds	(1,475,000)	
Compensated absences	(161,219)	
Accrued interest payable	<u>(33,521)</u>	(3,274,740)

**Net Position of governmental activities**

**\$ 28,132,226**

LINCOLN COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit D

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

	Major Funds							Total Governmental Funds
	General Fund	Title I - A Basic Fund	IDEA Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>								
Local sources	\$ 4,482,494	\$ -	\$ -	\$ 2,274	\$ 7,950	\$ -	\$ 816,124	\$ 5,308,842
State sources	13,972,749	-	-	-	-	-	989,376	14,962,125
Federal sources	82,652	670,476	607,052	-	-	-	1,350,085	2,710,265
Sixteenth section sources	625,146	-	-	-	-	642,825	69,429	1,337,400
Total Revenues	19,163,041	670,476	607,052	2,274	7,950	642,825	3,225,014	24,318,632
<b>Expenditures:</b>								
Instruction	11,109,652	537,929	273,309	-	-	-	1,029,711	12,950,601
Support services	6,594,529	107,852	315,138	-	-	-	371,434	7,388,953
Noninstructional services	10,908	9,695	605	-	-	-	1,290,864	1,312,072
Sixteenth section	133,866	-	-	-	-	76,404	63,941	274,211
Facilities acquisition and construction	-	-	-	660,708	-	-	-	660,708
Debt service:								
Principal	-	-	-	-	-	-	595,000	595,000
Interest	-	-	-	-	-	-	156,867	156,867
Other	-	-	-	-	-	-	2,250	2,250
Total Expenditures	17,848,955	655,476	589,052	660,708	-	76,404	3,510,067	23,340,662
Excess (Deficiency) of Revenues over (under) Expenditures	1,314,086	15,000	18,000	(658,434)	7,950	566,421	(285,053)	977,970
<b>Other Financing Sources (Uses):</b>								
Operating transfers in	76,241	-	-	3,110,000	675,000	-	314,514	4,175,755
Operating transfers out	(4,099,514)	(15,000)	(18,000)	-	-	(36,943)	(6,298)	(4,175,755)
Total Other Financing Sources (Uses)	(4,023,273)	(15,000)	(18,000)	3,110,000	675,000	(36,943)	308,216	-
Net Change in Fund Balances	(2,709,187)	-	-	2,451,566	682,950	529,478	23,163	977,970
Fund Balances:								
July 1, 2014, as previously reported	7,026,567	-	-	568,697	3,231,745	14,618,332	5,004,000	30,449,341
Fund reclassification	3,673,761	-	-	-	-	-	(3,673,761)	-
July 1, 2014, as restated	10,700,328	-	-	568,697	3,231,745	14,618,332	1,330,239	30,449,341
Increase (Decrease) in inventory	-	-	-	-	-	-	(14,193)	(14,193)
June 30, 2015	\$ 7,991,141	\$ -	\$ -	\$ 3,020,263	\$ 3,914,695	\$ 15,147,810	\$ 1,339,209	\$ 31,413,118

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

**LINCOLN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 977,970

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

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

Capital outlay	\$ 884,254	
Depreciation expense	<u>(886,189)</u>	(1,935)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (174)

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

Payments of debt principal	595,000	
Accrued interest payable	<u>7,058</u>	602,058

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

Recording of pension expense for the current period	(1,605,219)	
Recording of contributions made subsequent to the measurement date	<u>1,909,377</u>	304,158

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

Change in compensated absences	4,494	
Change in inventory	<u>(14,193)</u>	(9,699)

**Change in Net Position of governmental activities** \$ 1,872,378

LINCOLN COUNTY SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 940,926
Total Assets	<u>\$ 940,926</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 861,506
Due to other funds	1,165
Due to student clubs	78,255
Total Liabilities	<u>\$ 940,926</u>

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

## **Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

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

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

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

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

The Statement of Net Position presents the District's non-fiduciary assets 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.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I - A Basic Fund - This fund accounts for the federal revenues and expenditures associated with federal funding for Title I programs.

IDEA Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

2005 Construction Fund - This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund.

Complex Construction Fund - This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund and Sixteenth Section Interest Fund.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

Sixteenth Section Principal Fund - This permanent fund is used to account for the sale of nonrenewable resources (oil, gas, gravel, sand, etc.) on sixteenth section lands. The use of the fund is limited to providing advances to the General Fund or Capital Projects Fund to finance capital expenditures. State law requires any funds on hand to be invested. Interest income may be transferred to the General Fund.

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:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and do not involve measurement of results of operations.

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 Project 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.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### FIDUCIARY FUNDS

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

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when 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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

### **D. Encumbrances**

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

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

#### 1. Cash, Cash equivalents and Investments

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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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

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

### 7. Deferred outflows/inflows of resources

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

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 and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for a mineral lease and pension.

See Note 13 for further details.

### 8. Compensated Absences

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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

### 9. Long-term Liabilities and Bond Discounts/ Premiums

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

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

### 10. Pensions

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

### 11. Fund Balances

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

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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

*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 a resolution approved by the School Board.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

*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 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 are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of total budgeted revenue in the District Maintenance Fund. If the unassigned

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - and Amendment of GASB Statement No. 27* and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. These Statements are effective for fiscal years beginning after June 15, 2014.

### Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$30,571,700 and \$940,926, 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

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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. As of June 30, 2015, none of the district’s bank balance of \$32,246,524 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district’s cash with fiscal agents held by financial institutions was \$191,690.

**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**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I - A Basic Fund	\$ 82,042
	IDEA Fund	61,849
	Other Governmental Funds	20,047
	Fiduciary Funds	866
Other Governmental Funds	Fiduciary Funds	<u>299</u>
Total		<u>\$ 165,103</u>

The primary purpose of the inter-fund receivables and payables are to close out the federal programs at year end. All interfund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I - A Basic Fund	\$ 15,000
	IDEA Fund	18,000
	Sixteenth Section Principal Fund	36,943
	Other Governmental Funds	6,298
2005 Construction Fund	General Fund	3,110,000
Complex Construction Fund	General Fund	675,000
Other Governmental Funds	General Fund	<u>314,514</u>
Total		<u>\$ 4,175,755</u>

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

The primary purpose of the interfund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

### Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$15,024,300, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$191,690, MAEP Limited Obligation Bond Fund.

### Note 5 - Capital Assets

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

	Balance 7-1-2014	Additions	Retirements	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>				
Land	\$ 437,901			437,901
Construction in progress	362,286	380,086		742,372
Total non-depreciable capital assets	<u>800,187</u>	<u>380,086</u>	<u>0</u>	<u>1,180,273</u>
<u>Depreciable capital assets:</u>				
Buildings	24,849,150			24,849,150
Building improvements	1,283,300	280,622		1,563,922
Improvements other than buildings	2,810,745			2,810,745
Mobile equipment	2,974,151	158,839		3,132,990
Furniture and equipment	859,324	64,707	17,420	906,611
Total depreciable capital assets	<u>32,776,670</u>	<u>504,168</u>	<u>17,420</u>	<u>33,263,418</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,078,666	474,561		6,553,227
Building improvements	342,002	62,557		404,559
Improvements other than buildings	848,850	109,123		957,973
Mobile equipment	1,967,610	169,229		2,136,839
Furniture and equipment	706,855	70,719	17,246	760,328
Total accumulated depreciation	<u>9,943,983</u>	<u>886,189</u>	<u>17,246</u>	<u>10,812,926</u>
Total depreciable capital assets, net	<u>22,832,687</u>	<u>(382,021)</u>	<u>174</u>	<u>22,450,492</u>
Governmental activities capital assets, net	<u>\$ 23,632,874</u>	<u>(1,935)</u>	<u>174</u>	<u>23,630,765</u>

# Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 614,411
Support services	232,488
Non-instructional	39,290
Total depreciation expense	<u>\$ 886,189</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2015</u>	<u>Remaining Commitment</u>
Loyd Star Football Field	\$ 362,286	
Enterprise Parking Lot	11,525	300,027
Enterprise Gym Renovation	<u>368,561</u>	<u>251,139</u>
Total	<u>\$ 742,372</u>	<u>551,166</u>

Construction projects included in governmental activities are funded with funds from the 2005 Construction Fund.

## Note 6 - Long-term liabilities

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

	<u>Balance 7-1-2014</u>	<u>Reductions</u>	<u>Balance 06-30-2015</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 1,875,000	270,000	1,605,000	290,000
B. Limited obligation bonds payable	1,800,000	325,000	1,475,000	340,000
C. Compensated absences payable	<u>165,713</u>	<u>4,494</u>	<u>161,219</u>	<u>4,837</u>
Total	<u>\$ 3,840,713</u>	<u>599,494</u>	<u>3,241,219</u>	<u>634,837</u>

### 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Bonds	3.25-4.6%	12-01-02	06-01-20	<u>\$ 3,800,000</u>	<u>1,605,000</u>

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 290,000	71,522	361,522
2017	305,000	59,560	364,560
2018	320,000	46,140	366,140
2019	335,000	31,740	366,740
2020	355,000	16,330	371,330
Total	\$ <u>1,605,000</u>	<u>225,292</u>	<u>1,830,292</u>

This debt will be retired from the 2002 Bond and Interest 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, 2015, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2014.

**B. Limited Obligation Bonds Payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Refunding Bonds, Series 1998	4.2-6%	03-01-98	02-01-18	\$ <u>5,200,000</u>	<u>1,475,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 340,000	59,250	399,250
2017	355,000	43,265	398,265
2018	780,000	26,663	806,663
Total	\$ <u>1,475,000</u>	<u>129,178</u>	<u>1,604,178</u>

This debt will be retired from the MAEP Long Term Pledge Fund.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

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 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.

### C. 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

Operating Leases:

The school district has several operating leases for the following:

1. Twenty two copiers
2. One Pitney Bowes desktop mailing system

Lease expenditures for the year ended June 30, 2015, amounted to \$34,820.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2016	\$	36,273
2017		6,885
2018		1,876
Total	\$	<u>45,034</u>

## Note 8 - Defined Benefit Pension Plan

### General Information about the Pension Plan

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes

## Lincoln County School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014, and 2013 were \$1,909,377, \$1,806,581, and \$1,619,574, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$22,774,725 for its proportionate share of the net pension liability. The net pension liability was measured

# Lincoln County School District

## Notes to the Financial Statements For the Year Ended June 30, 2015

as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.187629 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,605,219. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 355,279	\$
Net difference between projected and actual earnings on pension plan investments		3,301,364
Changes in proportion and differences between District contributions and proportionate share of contributions	174,516	
District contributions subsequent to the measurement date	1,909,377	
Total	<u>\$ 2,439,172</u>	<u>\$ 3,301,364</u>

\$1,909,377 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (634,768)
2017	(634,768)
2018	(676,692)
2019	(825,341)
Total	<u>\$ (2,771,569)</u>

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

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

## Lincoln County School District

### Notes to the Financial Statements For the Year Ended June 30, 2015

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

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

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

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

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

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

# Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

	1% Decrease <u>(7.00%)</u>	Current Discount <u>Rate (8.00%)</u>	1% Increase <u>(9.00%)</u>
District's proportionate share of the net pension liability	\$ <u>31,048,742</u>	\$ <u>22,774,725</u>	\$ <u>15,872,965</u>

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

## Note 9 - 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 10 - 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 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 users 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
2016	\$ 108,671
2017	103,440
2018	76,628
2019	64,912
2020	40,165
2021 - 2025	132,831
2026 - 2030	114,939
2031 - 2035	91,811
2036 - 2040	24,933
Thereafter	3,870
Total	\$ <u>762,200</u>

## **Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### **Note 11 - Contingencies**

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

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

### **Note 12 - Fund Reclassification**

The Sixteenth Section Interest Fund beginning fund balance of \$3,673,761 was reclassified from the Special Revenue Fund to the General Fund, effective, July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

### **Note 13 - Effect of Deferred Amounts of Net Position**

The unrestricted net position amount of \$8,872,037 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,439,172 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$8,872,037 includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,301,364 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2015

### Note 14 - Prior Period Adjustments

A summary of significant net position adjustment is as follows:

#### Exhibit B - Statement of Activities

Explanation		Amount
Implementation of GASB 68 and 71:		\$
Net pension liability (06-30-14)	(25,747,656)	
Deferred outflows - contributions made during fiscal year 2014	<u>1,806,581</u>	
Total prior period adjustment related to GASB 68 and 71		\$ <u><u>(23,941,075)</u></u>

### Note 15 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

**LINCOLN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,243,646	\$ 4,292,347	\$ 4,482,494	\$ 48,701	\$ 190,147
State sources	14,167,702	14,177,556	13,972,749	9,854	(204,807)
Federal sources	80,500	82,432	82,652	1,932	220
Sixteenth section sources	-	763,706	625,146	763,706	(138,560)
<b>Total Revenues</b>	<b>18,491,848</b>	<b>19,316,041</b>	<b>19,163,041</b>	<b>824,193</b>	<b>(153,000)</b>
<b>Expenditures:</b>					
Instruction	12,056,448	12,067,435	11,109,652	(10,987)	957,783
Support services	7,870,578	7,868,904	6,594,529	1,674	1,274,375
Noninstructional services	24,123	18,255	10,908	5,868	7,347
Sixteenth section	16,585	222,240	133,866	(205,655)	88,374
Facilities acquisition and construction	1,000	1,000	-	-	1,000
<b>Total Expenditures</b>	<b>19,968,734</b>	<b>20,177,834</b>	<b>17,848,955</b>	<b>(209,100)</b>	<b>2,328,879</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,476,886)	(861,793)	1,314,086	615,093	2,175,879
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	3,370,604	2,563,394	76,241	(807,210)	(2,487,153)
Operating transfers out	(2,648,643)	(6,867,028)	(4,099,514)	(4,218,385)	2,767,514
<b>Total Other Financing Sources (Uses)</b>	<b>721,961</b>	<b>(4,303,634)</b>	<b>(4,023,273)</b>	<b>(5,025,595)</b>	<b>280,361</b>
<b>Net Change in Fund Balances</b>	<b>(754,925)</b>	<b>(5,165,427)</b>	<b>(2,709,187)</b>	<b>(4,410,502)</b>	<b>2,456,240</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	6,581,459	10,700,328	7,026,567	4,118,869	(3,673,761)
Fund reclassification	-	-	3,673,761	-	3,673,761
July 1, 2014, as restated	6,581,459	10,700,328	10,700,328	4,118,869	-
June 30, 2015	\$ 5,826,534	\$ 5,534,901	\$ 7,991,141	\$ (291,633)	\$ 2,456,240

**LINCOLN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I - A Basic Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 805,500	\$ 746,728	\$ 670,476	\$ (58,772)	\$ (76,252)
Total Revenues	805,500	746,728	670,476	(58,772)	(76,252)
<b>Expenditures:</b>					
Instruction	583,426	586,923	537,929	(3,497)	48,994
Support services	206,727	125,490	107,852	81,237	17,638
Noninstructional services	15,347	15,578	9,695	(231)	5,883
Total Expenditures	805,500	727,991	655,476	77,509	72,515
Excess (Deficiency) of Revenues over (under) Expenditures	-	18,737	15,000	18,737	(3,737)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(18,737)	(15,000)	(18,737)	3,737
Total Other Financing Sources (Uses)	-	(18,737)	(15,000)	(18,737)	3,737
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

**LINCOLN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
IDEA Fund  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 839,386	\$ 858,196	\$ 607,052	\$ 18,810	\$ (251,144)
Total Revenues	839,386	858,196	607,052	18,810	(251,144)
<b>Expenditures:</b>					
Instruction	450,905	370,610	273,309	80,295	97,301
Support services	385,981	465,231	315,138	(79,250)	150,093
Noninstructional services	2,500	2,500	605	-	1,895
Total Expenditures	839,386	838,341	589,052	1,045	249,289
Excess (Deficiency) of Revenues over (under) Expenditures	-	19,855	18,000	19,855	(1,855)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(19,855)	(18,000)	(19,855)	1,855
Total Other Financing Sources (Uses)	-	(19,855)	(18,000)	(19,855)	1,855
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

**Lincoln County School District**

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 22,774,725
District's proportionate share of the net pension liability (asset)	0.187629%
District's covered - employee payroll	11,470,356
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.552913%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

**Lincoln County School District**  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years\*

Contractually required contribution	\$ <u>2015</u> 1,909,377
Contributions in relation to the contractually required contribution	1,909,377
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	12,123,029
Contributions as a percentage of covered - employee payroll	15.75%

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Lincoln County School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None

## SUPPLEMENTARY INFORMATION

**LINCOLN COUNTY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

<b>Federal Grantor/ Pass-through Grantor/ Program Title/</b>	<b>Catalog of Federal Domestic Assistance No.</b>	<b>Federal Expenditures</b>
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 248,282
National School Lunch Program	10.555	844,223
Total Child Nutrition Cluster		1,092,505
Passed-through Lincoln County, Mississippi:		
Urban and Community Forestry Program	10.675	6,769
Total passed-through Lincoln County, Mississippi		6,769
<b>Total U.S. Department of Agriculture</b>		1,099,274
 <b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of the Universal Service Fund	32.xxx	74,931
<b>Total Federal Communications Commission</b>		74,931
 <b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	670,476
Career and Technical Education - Basic Grants to States	84.048	40,442
Rural Education	84.358	87,480
Improving Teacher Quality - State Grants	84.367	108,234
Subtotal		906,632
Special Education Cluster:		
Special Education - Grants to States	84.027	607,052
Special Education - Preschool Grants	84.173	21,424
Total Special Education Cluster		628,476
Total passed-through the Mississippi Department of Education		1,535,108
<b>Total U.S. Department of Education</b>		1,535,108
Total for All Federal Awards		\$ <u><u>2,709,313</u></u>

**NOTES TO SCHEDULE**

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

**LINCOLN COUNTY SCHOOL DISTRICT**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 16,779,276	13,113,590	891,670	1,003,724	1,770,292
Other	6,561,386	1,265,208	285,120	33,866	4,977,192
Total	\$ <u>23,340,662</u>	<u>14,378,798</u>	<u>1,176,790</u>	<u>1,037,590</u>	<u>6,747,484</u>
Total number of students *	<u>2,658</u>				
Cost per student	\$ <u>8,781</u>	<u>5,410</u>	<u>443</u>	<u>390</u>	<u>2,538</u>

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

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

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

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

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

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

## OTHER INFORMATION

**LINCOLN COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
<b>Revenues:</b>				
Local sources	\$ 4,482,494	4,090,740	4,283,147	4,030,886
State sources	13,972,749	12,955,852	12,986,843	13,045,902
Federal sources	82,652	89,233	89,290	88,694
Sixteenth section sources	625,146			
Total Revenues	<u>19,163,041</u>	<u>17,135,825</u>	<u>17,359,280</u>	<u>17,165,482</u>
<b>Expenditures:</b>				
Instruction	11,109,652	10,594,611	10,455,752	10,121,592
Support services	6,594,529	6,192,588	5,910,142	5,746,425
Noninstructional services	10,908	9,362	46,043	47,292
Sixteenth section	133,866	16,800	16,722	16,855
Facilities acquisition and construction			48,000	
Total Expenditures	<u>17,848,955</u>	<u>16,813,361</u>	<u>16,476,659</u>	<u>15,932,164</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,314,086</u>	<u>322,464</u>	<u>882,621</u>	<u>1,233,318</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery				2,996
Operating transfers in	76,241	31,149	142,680	115,917
Operating transfers out	(4,099,514)	(256,145)	(257,587)	(1,258,928)
Total Other Financing Sources (Uses)	<u>(4,023,273)</u>	<u>(224,996)</u>	<u>(114,907)</u>	<u>(1,140,015)</u>
Net Change in Fund Balances	(2,709,187)	97,468	767,714	93,303
<b>Fund Balances:</b>				
July 1, as previously reported	7,026,567	6,929,099	6,161,385	6,068,082
Fund reclassification	3,673,761			
July 1, as restated	<u>10,700,328</u>	<u>6,929,099</u>	<u>6,161,385</u>	<u>6,068,082</u>
June 30,	<u>\$ 7,991,141</u>	<u>7,026,567</u>	<u>6,929,099</u>	<u>6,161,385</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**LINCOLN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 5,308,842	4,894,265	5,105,318	4,903,852
State sources	14,962,125	13,994,032	13,972,897	14,034,837
Federal sources	2,710,265	2,826,890	2,699,244	2,637,954
Sixteenth section sources	1,337,400	1,911,866	2,289,259	2,960,367
Total Revenues	<u>24,318,632</u>	<u>23,627,053</u>	<u>24,066,718</u>	<u>24,537,010</u>
<b>Expenditures:</b>				
Instruction	12,950,601	12,402,225	12,229,041	11,930,985
Support services	7,388,953	7,057,329	6,545,965	6,316,005
Noninstructional services	1,312,072	1,341,503	1,458,794	1,432,309
Sixteenth section	274,211	416,421	404,669	553,327
Facilities acquisition and construction	660,708	809,066	4,796,522	711,113
Debt service:				
Principal	595,000	565,000	540,000	515,000
Interest	156,867	181,418	204,418	226,215
Other	2,250	2,250	2,250	1,617
Total Expenditures	<u>23,340,662</u>	<u>22,775,212</u>	<u>26,181,659</u>	<u>21,686,571</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>977,970</u>	<u>851,841</u>	<u>(2,114,941)</u>	<u>2,850,439</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery			3,805	2,996
Sale of other property		877		
Operating transfers in	4,175,755	340,706	453,957	1,997,491
Operating transfers out	(4,175,755)	(340,706)	(453,957)	(1,997,491)
Total Other Financing Sources (Uses)	<u>0</u>	<u>877</u>	<u>3,805</u>	<u>2,996</u>
Net Change in Fund Balances	977,970	852,718	(2,111,136)	2,853,435
<b>Fund Balances:</b>				
July 1,	30,449,341	29,594,027	31,707,917	28,869,341
Increase (Decrease) in inventory	(14,193)	2,596	(2,754)	(14,859)
June 30,	<u>\$ 31,413,118</u>	<u>30,449,341</u>	<u>29,594,027</u>	<u>31,707,917</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Lincoln County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lincoln County school District's basic financial statements, and have issued our report thereon dated December 21, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 21, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Lincoln County School District

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

We have audited Lincoln County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Lincoln County School District's major federal program for the year ended June 30, 2015. The Lincoln County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the Lincoln 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 its major federal program for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the Lincoln 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 our audit of compliance, we considered Lincoln 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 21, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Lincoln County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County School District as of and for the year ended June 30, 2015, which collectively comprise Lincoln County School District's basic financial statements and have issued our report thereon dated December 21, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

1929 SPILLWAY ROAD  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 21, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lincoln County School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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