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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016

St. Clair CPA, PLLC
Carriere, MS

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INDEPENDENT AUDITOR'S REPORT

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Lamar County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 25, 2017, on my consideration of the Lamar County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County School District's internal control over financial reporting and compliance.

St. Clair CPA, PLLC

Carriere, MS
January 25, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The following discussion and analysis of the Lamar County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 decreased \$3,836,090, including a prior period adjustment of (\$620,266), which represents a 17.5% decrease from fiscal year 2015. Total net position for 2015 decreased \$82,843,643, including a prior period adjustment of (\$91,296,004), which represents a 135.9% decrease from fiscal year 2014.
- General revenues amounted to \$77,845,917 and \$74,342,316, or 84% and 82% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,778,666, or 16% of total revenues for 2016, and \$16,594,099, or 18% of total revenues for 2015.
- The District had \$95,840,407 and \$82,484,054 in expenses for fiscal years 2016 and 2015; only \$14,778,666 for 2016 and \$16,594,099 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$77,845,917 for 2016 were not adequate to provide for these programs. General revenues of \$74,342,316 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$72,393,703 in revenues and \$67,038,216 in expenditures for 2016, and \$68,768,452 in revenues and \$65,713,812 in expenditures in 2015. The General Fund's fund balance increased by \$3,884,508 from 2015 to 2016, and increased by \$2,636,315, including a prior period adjustment of (\$3,800) from 2014 to 2015.
- Capital assets, net of accumulated depreciation, increased by \$2,688,370 for 2016 and increased by \$8,693,467 for 2015. The increase for 2016 was due to the addition and disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$4,261,455 for 2016 and decreased by \$3,710,034 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$7,718 for 2016 and increased by \$5,139 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and

intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules,

Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$25,724,661 as of June 30, 2016.

The District's financial position is a product of several financial transactions including the net result of activities, 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, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 15,251,762	\$ 11,703,031	30.32 %
Restricted assets	20,202,412	23,902,297	(15.48) %
Capital assets, net	92,575,896	89,887,526	2.99 %
Total assets	128,030,070	125,492,854	2.02 %
Deferred outflows of resources	18,696,301	11,838,463	57.93 %
Current liabilities	4,982,547	4,801,421	3.77 %
Long-term debt outstanding	50,093,674	54,355,129	(7.84) %
Net pension liability	114,905,860	87,394,817	31.48 %
Total liabilities	169,982,081	146,551,367	15.99 %
Deferred inflows of resources	2,468,951	12,668,521	(80.51) %
Net position:			
Net investment in capital assets	49,608,821	47,123,130	5.27 %
Restricted	25,118,604	24,777,629	1.38 %
Unrestricted	(100,452,086)	(93,789,330)	(7.10) %
Total net position	\$ (25,724,661)	\$ (21,888,571)	(17.53) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$100,452,086)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	100,646,600
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 194,514</u>

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

- Increase in net capital assets in the amount of \$2,688,370.
- The principal retirement of \$4,189,000 of long-term debt.
- Inclusion of net pension liability of \$114,905,860.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$92,624,583 and \$90,936,415, respectively. The total cost of all programs and services was \$95,840,407 for 2016 and \$82,484,054 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,768,766	\$ 4,859,234	(22.44) %
Operating grants and contributions	9,169,099	8,734,865	4.97 %
Capital Grants and Contributions	1,840,801	3,000,000	(38.64) %
General revenues:			
Property taxes	28,571,628	27,905,354	2.39 %
Grants and contributions not restricted	47,097,953	44,208,238	6.54 %
Investment earnings	120,897	53,535	125.83 %
Sixteenth section sources	2,055,439	2,168,212	(5.20) %
Other	0	6,977	(100.00) %
Total revenues	<u>92,624,583</u>	<u>90,936,415</u>	1.86 %
Expenses:			
Instruction	45,760,632	44,948,287	1.81 %
Support services	26,465,243	25,196,056	5.04 %
Non-instructional	3,585,023	3,521,971	1.79 %
Sixteenth section	35,877	42,289	(15.16) %
Pension expense	17,773,436	6,269,317	183.50 %
Interest on long-term liabilities	2,220,196	2,506,134	(11.41) %
Total expenses	<u>95,840,407</u>	<u>82,484,054</u>	16.19 %
Increase (Decrease) in net position	<u>(3,215,824)</u>	<u>8,452,361</u>	(138.05) %
Net Position, July 1, as previously reported	<u>(21,888,571)</u>	<u>60,955,072</u>	(135.91) %
Prior Period Adjustment	<u>(620,266)</u>	<u>(91,296,004)</u>	99.32 %
Net Position, July 1, as restated	<u>(22,508,837)</u>	<u>(30,340,932)</u>	25.81 %
Net Position, June 30	<u><u>\$ (25,724,661)</u></u>	<u><u>\$ (21,888,571)</u></u>	(17.53) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 45,760,632	\$ 44,948,287	1.81 %
Support services	26,465,243	25,196,056	5.04 %
Non-instructional	3,585,023	3,521,971	1.79 %
Sixteenth section	35,877	42,289	(15.16) %
Pension Expense	17,773,436	6,269,317	183.50 %
Interest on long-term liabilities	2,220,196	2,506,134	(11.41) %
Total expenses	\$ 95,840,407	\$ 82,484,054	16.19 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (37,722,564)	\$ (34,992,148)	7.80 %
Support services	(24,749,355)	(23,286,302)	6.28 %
Non-instructional	1,439,687	1,206,235	19.35 %
Sixteenth section	(35,877)	(42,289)	(15.16) %
Pension Expense	(17,773,436)	(6,269,317)	183.50 %
Interest on long-term liabilities	(2,220,196)	(2,506,134)	(11.41) %
Total net (expense) revenue	\$ (81,061,741)	\$ (65,889,955)	23.03 %

- Net cost of governmental activities (\$81,061,741 for 2016 and \$65,889,955 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$28,571,628 for 2016 and \$27,905,354 for 2015) and state and federal revenues (\$47,097,953 for 2016 and \$44,208,238 for 2015). In addition, there was \$2,055,439 and \$2,168,212 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$120,897 for 2016 and \$53,535 for 2015.

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 \$30,810,060, a decrease of \$350,035, which includes an increase in inventory of \$13,234. (\$157,367) or (0.5%) of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$30,967,427 or 100.5% 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 \$3,884,508. The fund balance of Other Governmental Funds showed a decrease in the amount of \$89,440, which includes an increase in reserve for inventory of \$13,234. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
3 Mill Note Construction Fund	\$ (4,253,176)
16th Section Principal Fund	108,073

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$129,748,771, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$5,176,121 from 2015. Total accumulated depreciation as of June 30, 2016, was \$37,172,875, and total depreciation expense for the year was \$2,891,332, resulting in total net capital assets of \$92,575,896.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 602,947	\$ 602,947	0.00 %
Construction in Progress	125,843	10,379,744	(98.79) %
Buildings	85,806,656	72,515,023	18.33 %
Improvements other than buildings	2,947,673	3,156,291	(6.61) %
Mobile equipment	2,787,039	2,886,835	(3.46) %
Furniture and equipment	305,738	346,686	(11.81) %
Total	\$ 92,575,896	\$ 89,887,526	2.99 %

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

Debt Administration. At June 30, 2016, the District had \$50,093,674 in outstanding long-term debt, of which \$4,482,422 is due within one year. The liability for compensated absences increased \$7,718 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	27,740,000	30,225,000	(8.22) %
Premium on refunding bonds payable	721,563	801,736	(10.00) %
Limited obligation refunding bonds payable	2,774,000	3,673,000	(24.48) %
Certificates of participation payable	1,470,000	1,625,000	(9.54) %
Three mill notes payable	16,610,000	17,260,000	(3.77) %
Compensated absences payable	778,111	770,393	1.00 %
Total	\$ 50,093,674	\$ 54,355,129	(7.84) %

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

CURRENT ISSUE

The Lamar County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lamar County School District, P.O. Box 609, Purvis, MS 39475.

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BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,802,679
Due from other governments	2,315,701
Other receivables, net	13,793
Inventories	119,589
Restricted assets (Note 4)	20,202,412
Non-depreciable capital assets (Note 5)	728,790
Depreciable capital assets, net (Note 5)	91,847,106
Total Assets	<u>128,030,070</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	16,728,211
Deferred outflows - advance refunding of debt	1,968,090
Total Deferred Outflows of Resources	<u>18,696,301</u>
Liabilities	
Accounts payable and accrued liabilities	4,644,114
Interest payable on long-term liabilities	338,433
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	4,340,000
Bond Premium	80,173
Non-capital related liabilities	62,249
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	44,254,000
Bond Premium	641,390
Non-capital related liabilities	715,862
Net pension liability (Note 8)	114,905,860
Total Liabilities	<u>169,982,081</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	2,468,951
Total Deferred Inflows of Resources	<u>2,468,951</u>
Net Position	
Net investment in capital assets	49,608,821
Restricted net position	
Expendable	
School-based activities	1,838,027
Debt service	2,333,247
Forestry improvements	190,202
Unemployment benefits	155,127
Non-expendable	
Sixteenth section	20,602,001
Unrestricted	<u>(100,452,086)</u>
Total Net Position	<u>\$ (25,724,661)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Exhibit B

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 45,760,632	2,369,533	3,827,734	1,840,801	(37,722,564)
Support services	26,465,243	26,737	1,689,151		(24,749,355)
Non-instructional	3,585,023	1,372,496	3,652,214		1,439,687
Sixteenth section	35,877				(35,877)
Pension expense	17,773,436				(17,773,436)
Interest on long-term liabilities	2,220,196				(2,220,196)
Total Governmental Activities	95,840,407	3,768,766	9,169,099	1,840,801	(81,061,741)
General Revenues					
Taxes					
General purpose levies					23,984,666
Debt purpose levies					4,586,962
Unrestricted grants and contributions					
State					46,963,710
Federal					134,243
Unrestricted investment earnings					120,897
Sixteenth section sources					2,055,439
Total General Revenues					77,845,917
Changes in Net Position					(3,215,824)
Net Position - Beginning, as previously reported					(21,888,571)
Prior Period Adjustments (Note 11)					(620,266)
Net Position - Beginning - as restated					(22,508,837)
Net Position - Ending					\$ (25,724,661)

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

LAMAR COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

Exhibit C

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>3 Mill Note Construction Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents (Note 2)	\$ 12,802,679	4,718,097	339,868	3,876,050	21,736,694
Investments (Note 2)			10,613,029	655,368	11,268,397
Due from other governments	1,093,468			1,222,233	2,315,701
Due from other funds (Note 3)	956,174				956,174
Advances to other funds (Note 3)			10,089,770		10,089,770
Inventories				119,589	119,589
Total Assets	<u>14,852,321</u>	<u>4,718,097</u>	<u>21,042,667</u>	<u>5,873,240</u>	<u>46,486,325</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	3,789,926	337,699		516,489	4,644,114
Due to other funds (Note 3)			440,666	501,715	942,381
Advances from other funds (Note 3)	10,089,770				10,089,770
Total Liabilities	<u>13,879,696</u>	<u>337,699</u>	<u>440,666</u>	<u>1,018,204</u>	<u>15,676,265</u>
Fund Balances					
Nonspendable					
Inventory				119,589	119,589
Permanent fund principal			10,512,231		10,512,231
Advances			10,089,770		10,089,770
Restricted					
Debt service				2,671,680	2,671,680
Capital projects		4,380,398			4,380,398
Forestry improvements				190,202	190,202
Unemployment benefits				155,127	155,127
Grant activities				1,718,438	1,718,438
Assigned					
School activities	944,162				944,162
Insurance deductibles	140,237				140,237
Grants Fund	45,593				45,593
Unassigned	(157,367)				(157,367)
Total Fund Balances	<u>972,625</u>	<u>4,380,398</u>	<u>20,602,001</u>	<u>4,855,036</u>	<u>30,810,060</u>
Total Liabilities and Fund Balances	<u>\$ 14,852,321</u>	<u>4,718,097</u>	<u>21,042,667</u>	<u>5,873,240</u>	<u>46,486,325</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 30,810,060
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	602,947	
Construction in progress	125,843	
Buildings	109,270,400	
Improvement other than buildings	5,326,339	
Mobile equipment	7,951,862	
Furniture and equipment	6,471,380	
Accumulated depreciation	<u>(37,172,875)</u>	92,575,896
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		(114,905,860)
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	16,728,211	
Deferred inflows of resources related to pensions	<u>(2,468,951)</u>	14,259,260
Deferred outflow of resources related to the advance refunding of debt		1,968,090
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	(27,740,000)	
Limited obligation bonds payable	(2,774,000)	
Certificates of participation	(1,470,000)	
Three mill notes payable	(16,610,000)	
Compensated absences	(778,111)	
Unamortized premiums	(721,563)	
Accrued interest payable	<u>(338,433)</u>	(50,432,107)
Total Net Position - Governmental Activities		<u>\$ (25,724,661)</u>

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2016

	Major Funds				
	General Fund	3 Mill Note Construction Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 26,238,117	25,772		6,034,348	32,298,237
State sources	44,995,651			3,342,124	48,337,775
Federal sources	134,243			7,795,034	7,929,277
Sixteenth section sources	1,025,692		984,102	45,645	2,055,439
Total Revenues	72,393,703	25,772	984,102	17,217,151	90,620,728
Expenditures					
Instruction	43,456,526			4,947,006	48,403,532
Support services	22,786,744	1,263,359		4,120,102	28,170,205
Noninstructional services	336,644			3,951,978	4,288,622
Sixteenth section	22,939			12,938	35,877
Facilities acquisition and construction		3,015,589		944,778	3,960,367
Debt service					
Principal (Note 6)				4,189,000	4,189,000
Interest	435,363			1,658,010	2,093,373
Other				6,075	6,075
Total Expenditures	67,038,216	4,278,948	0	19,829,887	91,147,051
Excess (Deficiency) of Revenues Over Expenditures	5,355,487	(4,253,176)	984,102	(2,612,736)	(526,323)
Other Financing Sources (Uses)					
Insurances loss recoveries	17,471			145,583	163,054
Operating transfers in (Note 3)	1,241,006			3,018,299	4,259,305
Operating transfers out (Note 3)	(2,729,456)		(876,029)	(653,820)	(4,259,305)
Total Other Financing Sources (Uses)	(1,470,979)	0	(876,029)	2,510,062	163,054
Net Change in Fund Balances	3,884,508	(4,253,176)	108,073	(102,674)	(363,269)
Fund Balances					
July 1, 2015	(2,911,883)	8,633,574	20,493,928	4,944,476	31,160,095
Increase in reserve for inventory				13,234	13,234
June 30, 2016	\$ 972,625	4,380,398	20,602,001	4,855,036	30,810,060

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (363,269)

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

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

Capital outlay	6,207,156	
Depreciation expense	<u>(2,891,332)</u>	3,315,824

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

(7,188)

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	4,189,000	
Amortization of bond premium	80,173	
Accrued interest payable	<u>17,755</u>	4,286,928

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	7,538,477	
Pension expense for the current year	<u>(17,773,436)</u>	(10,234,959)

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

Change in compensated absences	(7,718)	
Change in inventory reserve	13,234	
Amortization of deferred outflow - advance refunding	<u>(218,676)</u>	<u>(213,160)</u>

Changes in Net Position of Governmental Activities	<u><u>\$ (3,215,824)</u></u>
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The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2016

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 264,238
Other receivables	<u>6,748</u>
Total Assets	<u><u>270,986</u></u>
Liabilities	
Accounts payable and accrued liabilities	17,826
Due to other funds (Note 3)	13,793
Due to student clubs	<u>239,367</u>
Total Liabilities	<u><u>\$ 270,986</u></u>

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

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LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

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, Lamar 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.

Blended component unit

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

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

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

Investments

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

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

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

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

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

See Note 1, E, 10 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond 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.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund. See Note 10 for details.

Note 2 – Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 21,736,694 and \$264,238, 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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments

As of June 30, 2016, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Money Market	Not Rated	< 1 year	\$ 178,175
Federated US Treasury Cash Reserve	AAAm	< 1 year	655,366
US Treasury Bonds	AA+	5 to 10	511,778
Government Agency Bonds	AA+	5 to 10	2,463,645
Corporate Bonds	BBB+	1 to 5	1,295,155
Taxable Municipal Bonds	AA	1 to 5	1,584,479
Taxable Municipal Bonds	AA	5 to 10	286,283
Taxable Municipal Bonds	AA	> 10	60,279
Collateralized Mortgage Obligations	AA+	> 10	601,430
Mortgage Backed Securities	AA+	1 to 5	1,823,961
Mortgage Backed Securities	AA+	5 to 10	1,197,996
Mortgage Backed Securities	AA+	> 10	609,850
Total			<u>\$ 11,268,397</u>

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

The district has the following recurring fair value measurements as of June 30, 2016:

- The listed investments of \$11,268,397 are valued using quoted market prices (Level 1 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2016, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - 16th Section Principal Fund	\$ 440,666
	Other governmental funds	501,715
	Fiduciary Funds	13,793
Total		<u>\$ 956,174</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments. The inter-fund loan from the 16th Section Principal Fund to the General Fund was for the transfer of accumulated interest income.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major Fund - 16th Section Principal Fund	General Fund	<u>\$ 10,089,770</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 794,298	\$ 403,591	\$ 1,197,889
2018	681,798	371,819	1,053,617
2019	681,798	344,547	1,026,345
2020	681,798	317,275	999,073
2021	681,798	290,403	972,201
2022 - 2026	3,259,989	1,051,417	4,311,406
2027 - 2031	2,863,291	414,442	3,277,733
2032	<u>445,000</u>	<u>17,800</u>	<u>462,800</u>
Total	<u>\$ 10,089,770</u>	<u>\$ 3,211,294</u>	<u>\$ 13,301,064</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 2,729,456
Major Fund - 16th Section Principal Fund	General Fund	876,029
Other governmental funds	General Fund	364,977
	Other governmental funds	<u>288,843</u>
Total		<u>\$ 4,259,305</u>

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the 16th Section Principal Fund (Permanent Fund) and the Debt Service Funds, totaling \$10,613,031 and \$655,366, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$8,934,015 of various funds, including the 3 Mill Note Construction Fund, which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

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	Balance 7/1/2015	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2016
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 602,947					602,947
Construction-in-progress	10,379,744	3,960,367		(13,575,346)	(638,922)	125,843
Total non-depreciable capital assets	10,982,691	3,960,367	0	(13,575,346)	(638,922)	728,790
<u>Depreciable capital assets:</u>						
Buildings	93,860,230	1,834,824		13,575,346		109,270,400
Improvements other than buildings	5,326,339					5,326,339
Mobile equipment	7,655,367	330,025	(33,530)			7,951,862
Furniture and equipment	6,748,023	81,940	(377,239)		18,656	6,471,380
Total depreciable capital assets	113,589,959	2,246,789	(410,769)	13,575,346	18,656	129,019,981
<u>Less accumulated depreciation for:</u>						
Buildings	21,345,207	2,118,537				23,463,744
Improvements other than buildings	2,170,048	208,618				2,378,666
Mobile equipment	4,768,532	426,468	(30,177)			5,164,823
Furniture and equipment	6,401,337	137,709	(373,404)			6,165,642
Total accumulated depreciation	34,685,124	2,891,332	(403,581)	0	0	37,172,875
Total depreciable capital assets, net	78,904,835	(644,543)	(7,188)	13,575,346	18,656	91,847,106
Governmental activities capital assets, net	\$ 89,887,526	3,315,824	(7,188)	0	(620,266)	92,575,896

Increases to depreciable capital assets includes the following that were purchased or received as a donation:

	Amount
Governmental activities:	
Buses and District Vehicles - Mobile Equipment (Purchased)	\$ 330,025
Various Furniture and Equipment - (Purchased)	75,963
OGHS Volleyball Complex Building (Donated)	1,834,824
2016 Arising Trailer - Furniture and Equipment (Donated)	5,977
Total increases to depreciable capital assets - Governmental activities	\$ 2,246,789

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,959,475
Support services	868,374
Non-instructional	63,483
Total depreciation expense - Governmental activities	\$ 2,891,332

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Governmental Activities:		
Alternative School Building	\$ 30,968	0
Purvis Middle School/Purvis High School Building Addition	70,125	0
Sumrall Middle School Building Addition	24,750	0
Total governmental activities	125,843	0

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

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Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. General obligation refunding bonds payable	\$ 30,225,000		2,485,000	27,740,000	2,600,000
Premiums on bonds payable	801,736		80,173	721,563	80,173
B. Limited obligation refunding bonds payable	3,673,000		899,000	2,774,000	910,000
C. Certificates of participation payable	1,625,000		155,000	1,470,000	160,000
D. Three mill notes payable	17,260,000		650,000	16,610,000	670,000
E. Compensated absences payable	770,393	7,718		778,111	62,249
Total	<u>\$ 54,355,129</u>	<u>7,718</u>	<u>4,269,173</u>	<u>50,093,674</u>	<u>4,482,422</u>

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2012	2.125	12/3/2012	6/1/2025	\$ 9,985,000	9,685,000
2. General obligation refunding bonds, 2013	2.0-5.0	3/21/2013	6/1/2023	20,700,000	18,055,000
Total				<u>\$ 30,685,000</u>	<u>27,740,000</u>

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

1. General obligation refunding bonds, 2012:

Year Ending June 30	Principal	Interest	Total
2017	\$ 100,000	202,481	302,481
2018	105,000	200,481	305,481
2019	105,000	198,381	303,381
2020	110,000	196,281	306,281
2021	110,000	194,081	304,081
2022 – 2025	9,155,000	606,181	9,761,181
Total	<u>\$ 9,685,000</u>	<u>1,597,886</u>	<u>11,282,886</u>

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

2. General obligation refunding bonds, 2013:

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Year Ending June 30	Principal	Interest	Total
2017	\$ 2,500,000	545,969	3,045,969
2018	2,635,000	458,469	3,093,469
2019	2,755,000	379,419	3,134,419
2020	2,870,000	307,100	3,177,100
2021	2,975,000	249,700	3,224,700
2022 – 2023	4,320,000	228,900	4,548,900
Total	<u>\$ 18,055,000</u>	<u>2,169,557</u>	<u>20,224,557</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,600,000	748,450	3,348,450
2018	2,740,000	658,950	3,398,950
2019	2,860,000	577,800	3,437,800
2020	2,980,000	503,381	3,483,381
2021	3,085,000	443,781	3,528,781
2022 – 2025	13,475,000	835,081	14,310,081
Total	<u>\$ 27,740,000</u>	<u>3,767,443</u>	<u>31,507,443</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 6.6% of property assessments as of October 1, 2015.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, 2014	.60 - 1.6	4/16/2014	8/1/2018	<u>\$ 4,373,000</u>	<u>2,774,000</u>

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

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Year Ending June 30	Principal	Interest	Total
2017	\$ 910,000	32,054	942,054
2018	925,000	21,037	946,037
2019	939,000	7,512	946,512
Total	<u>\$ 2,774,000</u>	<u>60,603</u>	<u>2,834,603</u>

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

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$289,341) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$127,629 of those funds are applied toward this debt.

C. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, Series 2003	3.79	8/1/2003	8/1/2023	<u>\$ 3,000,000</u>	<u>1,470,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 160,000	52,681	212,681
2018	165,000	46,523	211,523
2019	175,000	40,079	215,079
2020	180,000	33,352	213,352
2021	185,000	26,435	211,435
2022 – 2024	605,000	34,963	639,963
Total	<u>\$ 1,470,000</u>	<u>234,033</u>	<u>1,704,033</u>

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$289,341) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$161,214 of those funds are applied toward this debt.

D. Three mill notes payable

Debt currently outstanding is as follows:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2013	3.0 - 5.0	9/5/2013	9/1/2033	<u>\$ 17,900,000</u>	<u>16,610,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 670,000	716,454	1,386,454
2018	670,000	696,354	1,366,354
2019	690,000	672,504	1,362,504
2020	715,000	644,404	1,359,404
2021	745,000	615,204	1,360,204
2022 – 2026	4,195,000	2,595,020	6,790,020
2027 – 2031	5,165,000	1,577,350	6,742,350
2032 – 2034	<u>3,760,000</u>	<u>276,752</u>	<u>4,036,752</u>
Total	<u>\$ 16,610,000</u>	<u>7,794,042</u>	<u>24,404,042</u>

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

E. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under renovation contracts amount to \$284,151. This will be financed with the Major Fund – 3 Mill Note Construction Fund.

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 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

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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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$7,538,477, \$7,314,249 and \$6,920,592, 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, 2016, the school district reported a liability of \$114,905,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was .743341 percent, which was based on a measurement date of June 30, 2015. This was an increase of .023341 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$17,773,436. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,951,942	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	2,468,951
Changes of assumptions	7,237,792	0
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
District contributions subsequent to the measurement date	7,538,477	0
Total	\$ <u>16,728,211</u>	\$ <u>2,468,951</u>

\$7,538,477 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 2,761,341
2018	2,761,341
2019	1,815,339
2020	(617,238)

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal 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 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 151,456,450	\$ 114,905,860	\$ 84,575,704

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 – 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

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and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2017	\$ 791,775
2018	785,496
2019	765,392
2020	760,747
2021	754,042
2022 – 2026	3,718,541
2027 – 2031	3,586,523
2032 – 2036	2,921,187
2037 – 2041	1,773,899
Total	<u>\$ 15,857,602</u>

Note 10 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund (General Fund) has a deficit unassigned fund balance in the amount of (\$157,367). The deficit fund balance is the result of advances from the 16th Section Principal Fund totaling \$10,089,770. This deficit fund balance is not in violation of state law and is not considered to be in noncompliance with the district's minimum fund balance policy.

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Correction of original cost of certain assets and construction-in progress	<u>\$ (620,266)</u>

Note 12 – Contingencies

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

Note 13 – Risk Management

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

Note 14 – Trust Certificates

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2016

the remainder of approximately \$78,000 was used to pay the cost of issuance.

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

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

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

Note 15 - Insurance loss recoveries

The Lamar County School District received \$163,054 in insurance loss recoveries related to vehicle and facilities damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss		Percentage	Expense Function
Recoveries			
\$	145,968	90%	Instruction
	17,086	10%	Support services
<u>\$</u>	<u>163,054</u>	<u>100%</u>	

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(100,452,086) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances and deferring the recognition of expenses associated with the advance refunding of bonds in a prior year.

Note 29 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through January 25, 2017, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Senate Bill 2500, effective July 1, 2016, requires the local school boards of the Lumberton Public School District, Lamar County School District and Poplarville Separate School District to enter into an agreement no later than July 1, 2019, to abolish and dissolve the Lumberton School District and its central administrative office to be effective for the start of the 2019-2020 school year. The school districts are required to establish a commission on the administrative consolidation of Lumberton Public School District to submit its plan of abolition and dissolution to the legislature no later than December 1, 2017. The territory of the Lumberton Public School District located in Lamar County shall be transferred to Lamar County School District and the territory of the Lumberton Public School District located in Pearl River County shall be transferred to Poplarville Separate School District. The students enrolled in the schools of the former Lumberton Public School District may be granted an automatic transfer by the Lamar County Board of Education or the Poplarville School Board, as determined by the residence of the student, to continue to attend the schools located in the former Lumberton Public School District.

REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 24,583,400	26,238,117	26,238,117	1,654,717	0
State sources	44,642,468	44,995,651	44,995,651	353,183	0
Federal sources	107,445	134,243	134,243	26,798	0
Sixteenth section sources	900,000	1,025,692	1,025,692	125,692	0
Total Revenues	70,233,313	72,393,703	72,393,703	2,160,390	0
Expenditures					
Instruction	44,217,081	43,456,526	43,456,526	760,555	0
Support services	22,773,323	22,786,744	22,786,744	(13,421)	0
Noninstructional services	374,679	336,644	336,644	38,035	0
Sixteenth section	27,500	22,939	22,939	4,561	0
Debt service					
Principal	749,298	0	0	749,298	0
Interest	435,361	435,363	435,363	(2)	0
Other	5,000		0	5,000	0
Total Expenditures	68,582,242	67,038,216	67,038,216	1,544,026	0
Excess (Deficiency) of Revenues Over Expenditures	1,651,071	5,355,487	5,355,487	3,704,416	0
Other Financing Sources (Uses)					
Insurance loss recoveries	0	17,471	17,471	17,471	0
Operating transfers in	4,087,914	3,670,811	1,241,006	(417,103)	(2,429,805)
Operating transfers out	(5,611,484)	(5,411,653)	(2,729,456)	199,831	2,682,197
Total Other Financing Sources (Uses)	(1,523,570)	(1,723,371)	(1,470,979)	(199,801)	252,392
Net Change in Fund Balances			3,884,508		
Fund Balances					
July 1, 2015			(2,911,883)		
June 30, 2016			\$ 972,625		

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

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

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.743341%	0.72%
District's proportionate share of the net pension liability (asset)	<u>\$ 114,905,860</u>	<u>\$ 87,394,817</u>
District's covered-employee payroll	<u>\$ 46,439,676</u>	<u>\$ 43,940,267</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>247.43%</u>	<u>198.89%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>61.70%</u>	<u>67.21%</u>

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

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

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

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

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,538,477	\$ 7,314,249
Contributions in relation to the contractually required contribution	7,538,477	7,314,249
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
District's covered-employee payroll	\$ 47,863,346	\$ 46,439,676
Contributions as a percentage of covered- employee payroll	15.75%	15.75%

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

(3) Pension Schedules

Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,080,919
National school lunch program	10.555	3,544,012
Total child nutrition cluster		<u>4,624,931</u>
Total U.S. Department of Agriculture		<u>4,624,931</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	<u>47,445</u>
Total Federal Communications Commission		<u>47,445</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,584,561
Career and technical education - basic grants to states	84.048	88,567
Twenty first century community learning centers	84.287	456,501
English language acquisition grants	84.365	38,168
Improving teacher quality - state grants	84.367	314,152
Total		<u>2,481,949</u>
Special education cluster:		
Special education - grants to states	84.027	1,704,074
Special education - preschool grants	84.173	57,613
Total special education cluster		<u>1,761,687</u>
Total passed-through Mississippi Department of Education		<u>4,243,636</u>
Total U.S. Department of Education		<u>4,243,636</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>81,609</u>
Total U.S. Department of Health and Human Services		<u>81,609</u>
Total for All Federal Awards		<u><u>\$ 8,997,621</u></u>

NOTES TO SCHEDULE

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

LAMAR COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 65,845,279	52,486,849	1,898,026	4,771,437	6,688,967
Other	25,301,772	4,965,524	624,262	175,850	19,536,136
Total	<u>91,147,051</u>	<u>57,452,373</u>	<u>2,522,288</u>	<u>4,947,287</u>	<u>26,225,103</u>
Total number of students	<u>9,204</u>				
Cost per student	<u>\$ 9,903</u>	<u>6,242</u>	<u>274</u>	<u>538</u>	<u>2,849</u>

Notes to the schedule.

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

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

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

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

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

OTHER INFORMATION

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

	UNAUDITED			
	2016	2015*	2014*	2013*
Revenues				
Local sources	\$ 26,238,117	25,397,438	24,736,405	23,902,962
State sources	44,995,651	42,091,899	38,967,701	38,569,617
Federal sources	134,243	247,139	44,833	254,395
Sixteenth section sources	1,025,692	1,031,976	1,049,916	622,228
Total Revenues	<u>72,393,703</u>	<u>68,768,452</u>	<u>64,798,855</u>	<u>63,349,202</u>
Expenditures				
Instruction	43,456,526	42,490,832	39,532,315	38,741,768
Support services	22,786,744	22,334,901	23,310,462	21,700,902
Noninstructional services	336,644	308,470	365,104	342,697
Sixteenth section	22,939	17,115	38,116	29,165
Facilities acquisition and construction	0	95,359	271,650	725,251
Debt service				
Interest	435,363	467,135	499,407	532,348
Other	0	0	6,190	1,940
Total Expenditures	<u>67,038,216</u>	<u>65,713,812</u>	<u>64,023,244</u>	<u>62,074,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,355,487</u>	<u>3,054,640</u>	<u>775,611</u>	<u>1,275,131</u>
Other Financing Sources (Uses)				
Insurances loss recoveries	17,471	4,399	93,268	0
Sale of other property	0	0	20,452	0
Operating transfers in	1,241,006	1,896,537	836,179	872,000
Other financing sources	0	0	30,010	0
Operating transfers out	(2,729,456)	(2,315,461)	(3,043,774)	(6,412,841)
Other financing uses	0	0	0	(32,911)
Total Other Financing Sources (Uses)	<u>(1,470,979)</u>	<u>(414,525)</u>	<u>(2,063,865)</u>	<u>(5,573,752)</u>
Net Change in Fund Balances	<u>3,884,508</u>	<u>2,640,115</u>	<u>(1,288,254)</u>	<u>(4,298,621)</u>
Fund Balances				
July 1	(2,911,883)	(5,548,198)	(4,259,944)	407,394
Prior period adjustments	0	(3,800)	0	(368,717)
July 1, as restated	<u>(2,911,883)</u>	<u>(5,551,998)</u>	<u>(4,259,944)</u>	<u>38,677</u>
June 30	<u>\$ 972,625</u>	<u>(2,911,883)</u>	<u>(5,548,198)</u>	<u>(4,259,944)</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2016	2015*	2014*	2013*
Revenues				
Local sources	\$ 32,298,237	31,473,809	30,972,442	28,614,589
State sources	48,337,775	45,253,142	41,907,520	41,535,281
Federal sources	7,929,277	7,689,984	6,812,569	6,692,572
Sixteenth section sources	2,055,439	2,168,212	2,345,718	1,526,634
Total Revenues	<u>90,620,728</u>	<u>86,585,147</u>	<u>82,038,249</u>	<u>78,369,076</u>
Expenditures				
Instruction	48,403,532	47,629,322	44,325,137	43,652,869
Support services	28,170,205	26,873,741	28,856,976	25,726,407
Noninstructional services	4,288,622	4,181,032	4,141,642	4,001,252
Sixteenth section	35,877	42,289	57,162	128,922
Facilities acquisition and construction	3,960,367	10,809,115	5,129,134	10,376,065
Debt service				
Principal	4,189,000	3,635,000	2,925,000	3,171,962
Interest	2,093,373	2,620,587	1,726,319	2,526,924
Other	6,075	8,900	144,811	6,328
Total Expenditures	<u>91,147,051</u>	<u>95,799,986</u>	<u>87,306,181</u>	<u>89,590,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(526,323)</u>	<u>(9,214,839)</u>	<u>(5,267,932)</u>	<u>(11,221,653)</u>
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	0	30,975,000
Proceeds of refunding bonds	0	0	4,373,000	0
Proceeds of loans	0	0	17,900,000	0
Insurances loss recoveries	163,054	1,344,291	1,613,607	4,799,462
Sale of transportation equipment	0	0	20,452	0
Sale of other property	0	6,977	0	0
Operating transfers in	4,259,305	4,503,610	4,141,190	7,567,810
Other financing sources	0	3,000,000	237,171	1,966,570
Operating transfers out	(4,259,305)	(4,503,610)	(4,141,190)	(7,567,810)
Payment to refunded bond escrow agent	0	0	(4,337,155)	(31,802,794)
Other financing uses	0	0	(63,761)	(346,536)
Total Other Financing Sources (Uses)	<u>163,054</u>	<u>4,351,268</u>	<u>19,743,314</u>	<u>5,591,702</u>
Net Change in Fund Balances	<u>(363,269)</u>	<u>(4,863,571)</u>	<u>14,475,382</u>	<u>(5,629,951)</u>
Fund Balances				
July 1	31,160,095	36,038,778	20,545,401	26,525,071
Prior period adjustments	<u>0</u>	<u>(3,800)</u>	<u>1,046,599</u>	<u>(399,487)</u>
July 1, as restated	<u>31,160,095</u>	<u>36,034,978</u>	<u>21,592,000</u>	<u>26,125,584</u>
Increase (Decrease) in reserve for inventory	<u>13,234</u>	<u>(11,312)</u>	<u>(28,604)</u>	<u>49,768</u>
June 30	<u>\$ 30,810,060</u>	<u>31,160,095</u>	<u>36,038,778</u>	<u>20,545,401</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lamar County School District's basic financial statements, and have issued my report thereon dated January 25, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

St. Clair CPA, PLLC

Carriere, MS

January 25, 2017



ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

Report on Compliance for Each Major Federal Program

I have audited Lamar County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lamar County School District's major federal programs for the year ended June 30, 2016. Lamar County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Lamar County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of

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

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

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

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

St. Clair CPA, PLLC

Carriere, MS
January 25, 2017

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

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ST. CLAIR CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2016, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated January 25, 2017. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

St. Clair CPA, PLLC

Carriere, MS
January 25, 2017

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|---------|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |
| a. | Child nutrition cluster | |
| CFDA #: | 10.553 | |
| CFDA #: | 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in 2 CFR 200.511(b)? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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