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Lowndes County School District

Audited Financial Statements
For the Year Ended June 30, 2016

Fortenberry & Ballard, PC
Certified Public Accountants

Lowndes County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Lowndes County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes 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 Lowndes County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, 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 Lowndes 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, the Schedule of the District's Proportionate Share of the Net Position Liability, and the Schedule of District Contributions on pages 8 to 15 and 58 to 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes 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 our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Lowndes County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowndes County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

The following discussion and analysis of Lowndes 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 \$7,189,225, including a prior period adjustment of \$497, which represents a 71% decrease from fiscal year 2015. Total net position for 2015 decreased \$52,673,358, including a prior period adjustment of (\$55,337,413) primarily to record prior year net pension liability, which represents an 84% decrease from fiscal year 2014.
- General revenues amounted to \$46,390,073 and \$44,306,253, or 86% and 87% 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 \$7,368,654, or 14% of total revenues for 2016, and \$6,848,533, or 13% of total revenues for 2015.
- The District had \$60,948,449 and \$48,490,731 in expenses for fiscal years 2016 and 2015; only \$7,368,654 for 2016 and \$6,848,533 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,390,073 for 2016 were not adequate to provide for these programs. General revenues of \$44,306,253 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$46,654,184 in revenues and \$49,876,286 in expenditures for 2016, and \$44,935,028 in revenues and \$41,984,552 in expenditures in 2015. The General Fund's fund balance increased by \$788,966 from 2015 to 2016, and increased by \$7,185,497 from 2014 to 2015, including the fund reclassification of Sixteenth Section Funds from Special Revenue Fund to General Fund.
- Capital assets, net of accumulated depreciation, increased by \$18,037,268 for 2016 and increased by \$4,729,912 for 2015. The increase for 2016 was due primarily to the purchase of land, the increase in construction in progress at fiscal year end, and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year.
- Long-term debt increased by \$46,467,790 for 2016 and increased by \$7,617,971 for 2015. The increase for 2016 was due primarily to the issuance of general obligation bonds and the inception of capital leases during the fiscal year. The liability for compensated absences increased by \$54,047 for 2016 and increased by \$46,539 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.

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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.

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,972,909 as of June 30, 2016.

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 21,285,202	\$ 38,023,282	(44.02) %
Restricted assets	46,928,953	1,576,979	2,875.88 %
Capital assets, net	66,664,019	48,626,751	37.09 %
Total assets	<u>134,878,174</u>	<u>88,227,012</u>	52.88 %
 Deferred outflows of resources	 <u>13,516,335</u>	 <u>4,985,618</u>	 171.11 %
 Current liabilities	 4,680,403	 889,216	 426.35 %
Long-term debt outstanding	71,615,166	23,425,952	205.71 %
Net pension liability	66,225,284	49,366,176	34.15 %
Total liabilities	<u>142,520,853</u>	<u>73,681,344</u>	93.43 %
 Deferred inflows of resources	 <u>2,900,747</u>	 <u>9,369,152</u>	 (69.04) %
 Net position:			
Net investment in capital assets	41,952,804	25,593,330	63.92 %
Restricted	4,702,689	22,906,295	(79.47) %
Unrestricted	(43,682,584)	(38,337,491)	13.94 %
Total net position	<u>\$ 2,972,909</u>	<u>\$ 10,162,134</u>	(70.75) %

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)	\$ (43,682,584)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>55,579,696</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 11,897,112</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 \$18,037,268.
- The issuance of long-term debt in the amount of \$49,069,725.
- The principal retirement of \$2,601,632 of long-term debt.
- Recognition of the net pension liability in the amount of \$66,225,284.

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$53,758,727 and \$51,154,786, respectively. The total cost of all programs and services was \$60,948,449 for 2016 and \$48,490,731 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

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,643,745	\$ 1,454,478	13.01 %
Operating grants and contributions	5,724,909	5,394,055	6.13 %
General revenues:			
Property taxes	21,856,558	21,383,179	2.21 %
Grants and contributions not restricted	23,593,923	22,391,531	5.37 %
Investment earnings	236,970	97,990	141.83 %
Sixteenth section sources	368,867	153,580	140.18 %
Other	333,755	279,973	19.21 %
Total revenues	53,758,727	51,154,786	5.09 %
Expenses:			
Instruction	27,028,739	26,163,631	3.31 %
Support services	23,165,977	17,213,803	34.58 %
Non-instructional	1,912,011	2,068,525	(7.57) %
Sixteenth section	85,347	21,227	302.07 %
Pension expense	6,300,646	2,568,860	145.27 %
Interest on long-term liabilities	2,455,729	454,685	440.09 %
Total expenses	60,948,449	48,490,731	25.69 %
Increase (Decrease) in net position	(7,189,722)	2,664,055	(369.88) %
Net Position, July 1, as previously reported	10,162,134	62,835,492	(83.83) %
Prior Period Adjustment	497	(55,337,413)	100.00 %
Net Position, July 1, as restated	10,162,631	7,498,079	35.54 %
Net Position, June 30	\$ 2,972,909	\$ 10,162,134	(70.75) %

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.

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2016	2015	Change
Instruction	\$ 27,028,739	\$ 26,163,631	3.31 %
Support services	23,165,977	17,213,803	34.58 %
Non-instructional	1,912,011	2,068,525	(7.57) %
Sixteenth section	85,347	21,227	302.07 %
Pension Expense	6,300,646	2,568,860	145.27 %
Interest on long-term liabilities	2,455,729	454,685	440.09 %
Total expenses	\$ 60,948,449	\$ 48,490,731	25.69 %

	Net (Expense) Revenue		Percentage
	2016	2015	Change
Instruction	\$ (23,885,474)	\$ (23,009,707)	3.81 %
Support services	(21,118,170)	(15,526,752)	36.01 %
Non-instructional	247,472	(60,967)	(505.91) %
Sixteenth section	(67,248)	(21,227)	216.80 %
Pension Expense	(6,300,646)	(2,568,860)	145.27 %
Interest on long-term liabilities	(2,455,729)	(454,685)	440.09 %
Total net (expense) revenue	\$ (53,579,795)	\$ (41,642,198)	28.67 %

- Net cost of governmental activities (\$53,579,795 for 2016 and \$41,642,198 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$21,856,558 for 2016 and \$21,383,179 for 2015) and state and federal revenues (\$23,593,923 for 2016 and \$22,391,531 for 2015). In addition, there was \$368,867 and \$153,580 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$236,970 for 2016 and \$97,990 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 \$64,897,383, an increase of \$26,156,779, which includes a prior period adjustment of \$194 and an increase in inventory of \$2,961. \$15,940,950, or 25% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$48,956,433, or 75% 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

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

General Fund for the fiscal year was \$788,966. The fund balance of Other Governmental Funds showed a decrease in the amount of \$536,015, which includes an increase in inventory of \$2,961. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Local Construction Fund	\$	(11,113,262)
Lease Purchase 2014 Fund	\$	2,351,460
2015 Bond Issue Projects Fund	\$	34,665,630
NHHS Building Project Fund		no increase or decrease

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 \$106,784,345, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$20,074,935 from 2015 due primarily to ongoing construction projects at fiscal year end, the completion of buildings and improvements other than buildings, the purchase of land, and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$40,120,326, and total depreciation expense for the year was \$2,123,467, resulting in total net capital assets of \$66,664,019.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 2,349,388	\$ 1,549,988	51.57 %
Construction in Progress	21,747,111	6,604,324	229.29 %
Buildings	31,621,179	30,426,916	3.93 %
Building improvements	2,878,020	3,024,650	(4.85) %
Improvements other than buildings	4,567,142	3,288,076	38.90 %
Mobile equipment	3,155,485	3,329,978	(5.24) %
Furniture and equipment	345,694	402,819	(14.18) %
Total	\$ 66,664,019	\$ 48,626,751	37.09 %

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

LOWNDES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Debt Administration. At June 30, 2016, the District had \$71,615,166 in outstanding long-term debt, of which \$3,605,829 of long-term debt is due within one year. During the fiscal year, the District received proceeds from the issuance of general obligation bonds in the amount of \$44,000,000. The District also entered into obligations under capital leases totaling \$5,069,725. The District made principal payments totaling \$2,601,632 on outstanding long-term debt. The liability for compensated absences increased \$54,047 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 bonds payable	\$ 44,000,000	\$ -	N/A %
Certificates of participation payable	7,455,000	7,995,000	(6.75) %
Limited tax notes payable	10,745,000	11,185,000	(3.93) %
Obligations under capital leases	4,180,761	732,971	470.39 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	455,843	401,796	13.45 %
Total	<u>\$ 69,836,604</u>	<u>\$ 23,314,767</u>	<u>199.54 %</u>
 Premiums/discounts	 1,778,562	 111,185	 1,499.64 %
Total	<u>\$ 71,615,166</u>	<u>\$ 23,425,952</u>	<u>205.71 %</u>

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

CURRENT ISSUES

The Lowndes 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 Lowndes County School District, 1053 Highway 45 South, Columbus, MS 39701.

FINANCIAL STATEMENTS

LOWNDES COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2016**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 19,793,631
Cash with fiscal agents	10,829
Due from other governments	1,405,966
Inventories	74,776
Restricted assets	46,928,953
Capital assets, non-depreciable:	
Land	2,349,388
Construction in progress	21,747,111
Capital assets, net of accumulated depreciation:	
Buildings	31,621,179
Building improvements	2,878,020
Improvements other than buildings	4,567,142
Mobile equipment	3,155,485
Furniture and equipment	345,694
Total Assets	<u>134,878,174</u>
 Deferred Outflows of Resources	
Deferred outflow related to pensions	13,516,335
Total Deferred Outflows of Resources	<u>13,516,335</u>
 Liabilities	
Accounts payable and accrued liabilities	3,283,131
Unearned revenue	3,641
Interest payable on long-term liabilities	1,393,631
Long-term liabilities, due within one year:	
Capital related liabilities	1,890,000
Non-capital related liabilities	1,607,938
Long-term liabilities, due beyond one year:	
Capital related liabilities	63,310,000
Capital related bond premiums	1,778,562
Non-capital related liabilities	3,028,666
Net pension liability	66,225,284
Total Liabilities	<u>142,520,853</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	2,870,747
Deferred mineral lease	30,000
Total Deferred Inflows of Resources	<u>2,900,747</u>
 Net Position	
Net investment in capital assets	41,952,804
Restricted for:	
Expendable:	
School-based activities	1,083,023
Debt service	2,978,029
Forestry improvements	51,193
Unemployment benefits	117,317
Non-expendable:	
Sixteenth section	473,127
Unrestricted	(43,682,584)
Total Net Position	<u>\$ 2,972,909</u>

LOWNDES COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 27,028,739	\$ 1,182,757	\$ 1,960,508	\$ (23,885,474)
Support services	23,165,977	66,874	1,980,933	(21,118,170)
Non-instructional	1,912,011	376,015	1,783,468	247,472
Sixteenth section	85,347	18,099	-	(67,248)
Pension expense	6,300,646	-	-	(6,300,646)
Interest on long-term liabilities	2,455,729	-	-	(2,455,729)
Total Governmental Activities	\$ 60,948,449	\$ 1,643,745	\$ 5,724,909	\$ (53,579,795)
General Revenues:				
Taxes:				
General purpose levies				20,568,241
Debt purpose levies				1,288,317
Unrestricted grants and contributions:				
State				23,088,258
Federal				505,665
Unrestricted investment earnings				236,970
Sixteenth section sources				368,867
Other				333,755
Total General Revenues				46,390,073
Change in Net Position				(7,189,722)
Net Position - Beginning, as previously reported				10,162,134
Prior Period Adjustments				497
Net Position - Beginning, as restated				10,162,631
Net Position - Ending				\$ 2,972,909

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2016

Exhibit C

	Major Funds							
	General Fund	Local Construction Fund	Lease Purchase 2014 Fund	2015 Bond Issue Projects Fund	NHHS Building Project Fund	Other Governmental Funds	Total Governmental Funds	
Assets								
Cash and cash equivalents	\$ 15,547,341	\$ 1,348,994	\$ 7,958,066	\$ 34,665,630	\$ 994,212	\$ 5,092,267	\$ 65,606,510	
Cash with fiscal agents	10,829	-	-	-	-	-	10,829	
Investments	-	-	-	-	-	1,116,074	1,116,074	
Due from other governments	959,813	-	-	-	-	446,153	1,405,966	
Due from other funds	384,248	-	-	-	-	-	384,248	
Inventories	-	-	-	-	-	74,776	74,776	
Total assets	\$ 16,902,231	\$ 1,348,994	\$ 7,958,066	\$ 34,665,630	\$ 994,212	\$ 6,729,270	\$ 68,598,403	
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 338,515	\$ 1,348,994	\$ 357,992	\$ -	\$ 994,212	\$ 243,418	\$ 3,283,131	
Due to other funds	-	-	-	-	-	384,248	384,248	
Unavailable revenue	30,000	-	-	-	-	3,641	33,641	
Total Liabilities	368,515	1,348,994	357,992	-	994,212	631,307	3,701,020	
Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	74,776	74,776	
Permanent fund principal	-	-	-	-	-	473,127	473,127	
Restricted:								
Debt service	-	-	-	-	-	4,371,660	4,371,660	
Capital projects	-	-	7,600,074	34,665,630	-	1,643	42,267,347	
Forestry improvement purposes	-	-	-	-	-	51,193	51,193	
Grant activities	-	-	-	-	-	51,335	51,335	
Unemployment benefits	-	-	-	-	-	117,317	117,317	
Child nutrition	-	-	-	-	-	956,912	956,912	
Assigned:								
Activity funds	539,167	-	-	-	-	-	539,167	
Cafeteria plan	53,599	-	-	-	-	-	53,599	
Unassigned	15,940,950	-	-	-	-	-	15,940,950	
Total Fund Balances	16,533,716	-	7,600,074	34,665,630	-	6,097,963	64,897,383	
Total Liabilities and Fund Balances	\$ 16,902,231	\$ 1,348,994	\$ 7,958,066	\$ 34,665,630	\$ 994,212	\$ 6,729,270	\$ 68,598,403	

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 64,897,383

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

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

Land	\$ 2,349,388	
Construction in progress	21,747,111	
Buildings	61,774,108	
Building improvements	3,665,761	
Improvements other than buildings	6,805,689	
Mobile equipment	7,877,982	
Furniture and equipment	2,564,306	
Accumulated depreciation	<u>(40,120,326)</u>	66,664,019

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

Net pension liability	(66,225,284)
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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	13,516,335	
Deferred inflows of resources related to pensions	<u>(2,870,747)</u>	10,645,588

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

General obligation bonds	(44,000,000)	
Other bonds payable	(3,000,000)	
Notes payable	(10,745,000)	
Certificates of participation	(7,455,000)	
Capital lease obligations	(4,180,761)	
Compensated absences	(455,843)	
Unamortized premiums	(1,778,562)	
Accrued interest payable	<u>(1,393,631)</u>	(73,008,797)

Net position of governmental activities	\$ <u>2,972,909</u>
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The notes to the financial statements are an integral part of this statement.

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds						
	General Fund	Local Construction Fund	Lease Purchase 2014 Fund	2015 Bond Issue Projects Fund	NHHS Building Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	\$ 22,036,717	\$ -	\$ -	\$ -	\$ -	1,949,338	\$ 23,986,055
State sources	23,749,066	-	-	-	-	663,965	24,413,031
Federal sources	505,665	-	-	-	-	4,400,137	4,905,802
Sixteenth section sources	362,736	-	-	-	-	24,229	386,965
Total Revenues	46,654,184	-	-	-	-	7,037,669	53,691,853
Expenditures:							
Instruction	25,848,375	-	-	-	-	2,969,443	28,817,818
Support services	21,516,229	-	-	25,000	-	2,466,410	24,007,639
Noninstructional services	-	-	-	-	-	2,022,404	2,022,404
Sixteenth section	66,641	-	-	-	-	18,706	85,347
Facilities acquisition and construction	32,026	1,527,369	8,665,525	-	3,493,745	5,937,043	19,655,708
Debt service:							
Principal	2,161,632	-	-	-	-	440,000	2,601,632
Interest	250,030	-	-	-	-	385,183	635,213
Other	1,353	-	-	617,032	-	5,950	624,335
Total Expenditures	49,876,286	1,527,369	8,665,525	642,032	3,493,745	14,245,139	78,450,096
Excess (Deficiency) of Revenues over (under) Expenditures	(3,222,102)	(1,527,369)	(8,665,525)	(642,032)	(3,493,745)	(7,207,470)	(24,758,243)
Other Financing Sources (Uses):							
Bonds and notes issued	-	-	-	44,000,000	-	-	44,000,000
Inception of capital leases	5,069,725	-	-	-	-	-	5,069,725
Insurance recovery	66,874	-	-	-	-	-	66,874
Payments held by escrow agent	-	-	-	-	-	214,000	214,000
Premiums on bonds and refunding bonds issued	-	-	-	-	-	1,775,268	1,775,268
Payment to QSCB debt escrow agent	-	-	-	-	-	(214,000)	(214,000)
Operating transfers in	207,803	1,430,898	11,016,791	-	3,493,745	5,327,173	21,476,410
Operating transfers out	(1,333,334)	(11,016,791)	-	(8,692,338)	-	(433,947)	(21,476,410)
Total Other Financing Sources (Uses)	4,011,068	(9,585,893)	11,016,791	35,307,662	3,493,745	6,668,494	50,911,867
Net Change in Fund Balances	788,966	(11,113,262)	2,351,266	34,665,630	-	(538,976)	26,153,624
Fund Balances:							
July 1, 2015, as previously reported	15,744,750	11,113,262	5,248,614	-	-	6,633,978	38,740,604
Prior period adjustments	-	-	194	-	-	-	194
July 1, 2015, as restated	15,744,750	11,113,262	5,248,808	-	-	6,633,978	38,740,798
Increase (Decrease) in inventory	-	-	-	-	-	2,961	2,961
June 30, 2016	\$ 16,533,716	\$ -	\$ 7,600,074	\$ 34,665,630	\$ -	\$ 6,097,963	\$ 64,897,383

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

LOWNDES COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ 26,153,624

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

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

Capital outlay	\$ 20,166,743	
Depreciation expense	<u>(2,123,467)</u>	18,043,276

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (6,008)

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

Bonds and notes issued	(44,000,000)	
Premiums on bonds issued	(1,775,268)	
Inception of capital leases	(5,069,725)	
Payments of debt principal	2,601,632	
Accrued interest payable	<u>(1,304,072)</u>	(49,547,433)

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

Recording of pension expense for the current period	(6,300,646)	
Recording of contributions made subsequent to the measurement date	<u>4,410,660</u>	(1,889,986)

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

Change in compensated absences	(54,047)	
Change in inventory	2,961	
Amortization of deferred charges, premiums and discounts	<u>107,891</u>	56,805

Change in net position of governmental activities		<u><u>\$ (7,189,722)</u></u>
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The notes to the financial statements are an integral part of this statement.

LOWNDES COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2016

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 10,733	\$ 2,092,788
Total Assets	<u>10,733</u>	<u><u>2,092,788</u></u>
Liabilities		
Accounts payable and accrued liabilities	150	\$ 2,077,623
Due to student clubs	-	15,165
Total Liabilities	<u>150</u>	<u><u>2,092,788</u></u>
Net Position		
Reserved for endowments	<u>10,583</u>	
Total Net Position	<u><u>\$ 10,583</u></u>	

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

LOWNDES COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 33
Total Additions	<u>33</u>
Deductions	
Scholarships awarded	<u>150</u>
Total Deductions	<u>150</u>
Change in Net Position	<u>(117)</u>
Net Position	
July 1, 2015	<u>10,700</u>
June 30, 2016	<u><u>\$ 10,583</u></u>

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

Lowndes County School District

Notes to the Financial Statements
For the Year Ended June 30, 2016

Lowndes County School District

Notes to the Financial Statements
For the Year Ended 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 board is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

The school district reports the following major governmental funds:

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

Local Construction Fund - This capital project fund is used to account for the expenditures associated with the construction projects and is financed with local sources.

Lease Purchase 2014 Fund - This capital project fund is used to account for the proceeds received from the issuance of the 2014 trust certificates.

2015 Bond Issue Projects Fund - This capital project fund is used to account for the proceeds received from the issuance of the 2015 bond.

NHHS Building Project Fund - This capital project fund is used to account for the proceeds received for the NHHS building project.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

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

Endowment Funds - This funds are used to fund scholarships for award winners.

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

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

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

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

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

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

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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 inflows of resources/deferred outflows of resources 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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity 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.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 School Construction Bonds. 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, 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.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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
Leased property under capital leases	*	*

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

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for a mineral lease and pension.

See Note 14 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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

10. Pensions

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

11. Fund Balances

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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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. 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 and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expense 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.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 15% of the current year's General Fund's (Fund 1120) revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 \$65,606,510 and \$2,103,521, respectively. The bank balance was \$71,661,781.

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. As of June 30, 2016, none of the district's bank balance of \$71,661,781 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$10,829.

Investments

As of June 30, 2016 the district had the following investments in a sinking fund restricted for the payment of its QSCB described in Note 13.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Trustmark Performance U.S. Treasury	A	Less than 1 year	\$ <u><u>1,116,074</u></u>

These investments are held by fiscal agents.

The district categorizes its fair value measurement 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:

Level 1 type of investments of \$1,116,074 are valued using quoted market prices (Level 1 inputs)

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>384,248</u>

The General Fund makes a year end loan to these funds.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 207,803
Local Construction Fund	2015 Bond Issue Projects Fund	1,430,898
Lease Purchase 2014 Fund	Local Construction Fund	11,016,791
NHHS Building Project Fund	2015 Bond Issue Projects Fund	3,493,745
Other Governmental Funds	General Fund	1,333,334
	2015 Bond Issue Projects Fund	3,767,695
	Other Governmental Funds	226,144
Total		\$ <u>21,476,410</u>

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$473,127, of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. In addition, the restricted assets represents the cash and investment balance totaling \$229,703 and \$860,000, respectively, of the Qualified School Construction Bond Sinking Fund.

In addition, the restricted assets represent the cash balance, totaling \$1,348,994, \$7,958,066, \$34,665,630 and \$994,212, respectively, of the Local Construction Fund, the Lease Purchase 2014 Fund, the 2015 Bond Issue Projects Fund and the NHHS Building Project Fund. In addition, the restricted assets represent the cash and investment balance, totaling \$143,147 and \$256,074, respectively, of the Capital Projects Funds.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Note 5 - Capital Assets

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

	Balance 7-1-2015	Additions	Retirements	Completed Construction	Balance 6-30-2016
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,549,988	799,400			2,349,388
Construction in progress	6,604,324	18,824,282		(3,681,495)	21,747,111
Total non-depreciable capital assets	<u>8,154,312</u>	<u>19,623,682</u>	<u>0</u>	<u>(3,681,495)</u>	<u>24,096,499</u>
<u>Depreciable capital assets:</u>					
Buildings	59,606,695			2,167,413	61,774,108
Building improvements	3,665,761				3,665,761
Improvements other than buildings	5,259,581	32,026		1,514,082	6,805,689
Mobile equipment	7,509,038	368,944			7,877,982
Furniture and equipment	<u>2,514,023</u>	<u>142,091</u>	<u>91,808</u>		<u>2,564,306</u>
Total depreciable capital assets	<u>78,555,098</u>	<u>543,061</u>	<u>91,808</u>	<u>3,681,495</u>	<u>82,687,846</u>
<u>Less accumulated depreciation for:</u>					
Buildings	29,179,779	973,150			30,152,929
Building improvements	641,111	146,630			787,741
Improvements other than buildings	1,971,505	267,042			2,238,547
Mobile equipment	4,179,060	543,437			4,722,497
Furniture and equipment	<u>2,111,204</u>	<u>193,208</u>	<u>85,800</u>		<u>2,218,612</u>
Total accumulated depreciation	<u>38,082,659</u>	<u>2,123,467</u>	<u>85,800</u>	<u>0</u>	<u>40,120,326</u>
Total depreciable capital assets, net	<u>40,472,439</u>	<u>(1,580,406)</u>	<u>6,008</u>	<u>3,681,495</u>	<u>42,567,520</u>
Governmental activities capital assets, net	<u>\$ 48,626,751</u>	<u>18,043,276</u>	<u>6,008</u>	<u>0</u>	<u>66,664,019</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,311,605
Support services	804,411
Non-instructional	7,451
Total depreciation expense	<u>\$ 2,123,467</u>

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
Career Center	\$ 516,091	11,260,933
Caledonia HS Football Fieldhouse	1,021,740	881,596
New Hope Elementary School & Caledonia Campus Master	16,037,074	6,896,999
West Lowndes Elementary /West Lowndes High Project	678,461	
New Hope High School	3,493,745	22,221,325
Total	\$ 21,747,111	41,260,853

Construction projects included in governmental activities are funded with NHHS Building Project Fund, CHS Football Fieldhouse Fund, CES Building Project Fund, WLES Paving Project Fund, WLHS Fund, and LCSD Career Tech Building Project Fund.

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	Adjustments	Balance 6-30-2016	Amounts due within one year
A. General obligation bonds payable	\$ 0	44,000,000			44,000,000	880,000
B. Certificates of participation payable	7,995,000		540,000		7,455,000	540,000
C. Limited tax notes payable	11,185,000		440,000		10,745,000	470,000
D. Obligations under capital leases	732,971	5,069,725	1,621,632	(303)	4,180,761	1,585,146
E. Qualified school construction bonds payable	3,000,000				3,000,000	
F. Compensated absences payable	401,796	54,047			455,843	22,792
Total	\$ 23,314,767	49,123,772	2,601,632	(303)	69,836,604	3,497,938

	Balance 7-1-2015	Additions	Reductions	Balance 6-30-2016	Amounts due within one year
Premiums	\$ 111,185	1,775,268	107,891	1,778,562	107,891

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bond - Series 2015	3.00-4.0%	09-01-15	09-01-32	\$ <u>44,000,000</u>	<u>44,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 880,000	2,195,014	3,075,014
2018	880,000	1,471,725	2,351,725
2019	880,000	1,445,325	2,325,325
2020	1,100,000	1,415,625	2,515,625
2021	1,400,000	1,371,125	2,771,125
2022 - 2026	14,200,000	5,557,125	19,757,125
2027 - 2031	17,160,000	2,626,938	19,786,938
2032 - 2033	<u>7,500,000</u>	<u>245,374</u>	<u>7,745,374</u>
Total	\$ <u>44,000,000</u>	<u>16,328,251</u>	<u>60,328,251</u>

This debt will be retired from 2015 Bond Debt Service Fund.

The amount of debt 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 12% of property assessments as of October 1, 2015.

B. Certificates of participation payable

As more fully explained in Note 16, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Description		Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificates	2.65-4.0%	10-20-14	10-01-27	\$ <u>7,995,000</u>	<u>7,455,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 540,000	228,043	768,043
2018	560,000	211,543	771,543
2019	575,000	191,642	766,642
2020	595,000	168,242	763,242
2021	620,000	143,943	763,943
2022 - 2026	3,425,000	411,264	3,836,264
2027 - 2028	<u>1,140,000</u>	<u>28,205</u>	<u>1,168,205</u>
Total	\$ <u>7,455,000</u>	<u>1,382,882</u>	<u>8,837,882</u>

This debt will be retired from the District Maintenance Fund.

C. Limited tax notes payable

Notes currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, Series 2013	2.0-4.0%	12-20-13	10-01-31	\$ 9,870,000	9,190,000
Limited tax notes, Series 2014	2-3.63%	04-15-14	10-01-31	<u>1,630,000</u>	<u>1,555,000</u>
Total				\$ <u>11,500,000</u>	<u>10,745,000</u>

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

1. Series 2013:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	370,000	304,370	674,370
2018		375,000	296,920	671,920
2019		385,000	289,320	674,320
2020		395,000	281,520	676,520
2021		400,000	271,570	671,570
2022 - 2026		2,440,000	1,160,708	3,600,708
2027 - 2031		3,940,000	581,192	4,521,192
2032		<u>885,000</u>	<u>17,700</u>	<u>902,700</u>
Total	\$	<u><u>9,190,000</u></u>	<u><u>3,203,300</u></u>	<u><u>12,393,300</u></u>

This debt will be retired from the Series Notes (3-Mill) Fund.

2. Series 2014:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	100,000	42,912	142,912
2018		100,000	40,912	140,912
2019		100,000	38,912	138,912
2020		100,000	36,913	136,913
2021		100,000	34,912	134,912
2022 - 2026		500,000	131,012	631,012
2027 - 2031		455,000	58,831	513,831
2032		<u>100,000</u>	<u>1,812</u>	<u>101,812</u>
Total	\$	<u><u>1,555,000</u></u>	<u><u>386,216</u></u>	<u><u>1,941,216</u></u>

This debt will be retired from the Series Notes (3-Mill) Fund.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Total limited tax notes payments for all issues:

Year Ending June 30		Principal	Interest	Total
2017	\$	470,000	347,282	817,282
2018		475,000	337,832	812,832
2019		485,000	328,232	813,232
2020		495,000	318,433	813,433
2021		500,000	306,482	806,482
2022 - 2026		2,940,000	1,291,720	4,231,720
2027 - 2031		4,395,000	640,023	5,035,023
2032		985,000	19,512	1,004,512
Total	\$	<u>10,745,000</u>	<u>3,589,516</u>	<u>14,334,516</u>

D. Obligations Under Capital Leases

The school district has entered into a lease agreement as lessee for financing the acquisition of various Apple MacBook Air, Apple Care & Third Party Equipment at a cost of \$6,016,410 with a down payment of \$0. These leases qualify as capital leases for accounting purposes.

The options available to the lessee for these leases is as follows:

1. Option to purchase the equipment or replace the product at the end of the lease term

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Capital leases	1.23%	07-15-14	07-15-17	\$ 946,685	490,365
2. Capital leases	1.65%	11-1-15	11-1-18	3,958,157	2,953,432
3. Capital leases	1.10%	11-1-15	11-1-17	1,111,568	736,964
Total				\$ <u>6,016,410</u>	<u>4,180,761</u>

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

1. Capital leases issue of 07-15-14:

Year Ending June 30		Principal	Interest	Total
2017	\$	244,218	3,874	248,092
2018		246,147	1,945	248,092
Total	\$	<u>490,365</u>	<u>5,819</u>	<u>496,184</u>

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

This debt will be retired from the District Maintenance Fund.

2. Capital leases issue of 11-1-2015:

Year Ending June 30		Principal	Interest	Total
2017	\$	974,472	31,364	1,005,836
2018		984,068	21,769	1,005,837
2019		994,892	10,944	1,005,836
Total	\$	<u>2,953,432</u>	<u>64,077</u>	<u>3,017,509</u>

This debt will be retired from the District Maintenance Fund.

3. Capital leases issue of 11-1-2015:

Year Ending June 30		Principal	Interest	Total
2017	\$	366,456	8,148	374,604
2018		370,508	4,096	374,604
Total	\$	<u>736,964</u>	<u>12,244</u>	<u>749,208</u>

This debt will be retired from the District Maintenance Fund.

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

Year Ending June 30		Principal	Interest	Total
2017	\$	1,585,146	43,386	1,628,532
2018		1,600,723	27,810	1,628,533
2019		994,892	10,944	1,005,836
Total	\$	<u>4,180,761</u>	<u>82,140</u>	<u>4,262,901</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

E. Qualified School Construction Bonds Payable

As more fully explained in Note 13, debt has been issued by the School District that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	.96%	12-17-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$	28,800	28,800
2018		28,800	28,800
2019		28,800	28,800
2020		28,800	28,800
2021		28,800	28,800
2022 -2025	<u>3,000,000</u>	<u>115,200</u>	<u>3,115,200</u>
Total	\$ <u>3,000,000</u>	<u>259,200</u>	<u>3,259,200</u>

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

The district will make annual payments to a sinking fund maintained by the paying agent (see Note 13). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

F. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating Leases:

The school district has several operating leases for the following:

1. Copying equipment
2. Postage machines
3. Trailers
4. Apple MacBook Air computers

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Lease expenditures for the year ended June 30, 2016, amounted to \$24,637. Future lease payments for these leases are as follows:

Year Ending June 30,		Amount
2017	\$	309,175
2018		270,040
2019		10,630
2020		3,513
Total	\$	<u>593,358</u>

Note 9 - 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 the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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 \$4,410,660, \$4,215,520, and \$3,915,912, 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 \$66,225,284 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 .428420 percent, which was based on a measurement date of June 30, 2015. This was an increase of .021718 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 \$6,300,646. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,789,271	\$
Net difference between projected and actual earnings on pension plan investments		3,281,102
Change in assumptions	5,705,082	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,611,322	(410,355)
District contributions subsequent to the measurement date	4,410,660	
Total	<u>\$ 13,516,335</u>	<u>\$ 2,870,747</u>

\$4,410,660 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	\$	1,848,613
2018		1,958,065
2019		1,459,527
2020		968,722
Total	\$	<u>6,234,927</u>

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:

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.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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	\$ <u>87,290,991</u>	\$ <u>66,225,284</u>	\$ <u>48,744,685</u>

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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Note 10 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and 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	\$	427,675
2018		422,131
2019		266,621
2020		217,062
2021		209,952
2022 - 2026		553,840
2027 - 2031		548,398
2032 - 2036		519,314
2037 - 2041		380,305
Therefore		531,066
Total	\$	<u>4,076,364</u>

Note 11 - 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 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 disallowance resulting from the grantor audit may become a liability of the school district.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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

Note 13 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While the Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to \$0.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2016 was \$1,089,703. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending		Amount
June 30		
2017	\$	215,000
2018		215,000
2019		215,000
2020		215,000
2021		215,000
2022 - 2025		860,000
Total	\$	<u>1,935,000</u>

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Note 14 - Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$43,682,584) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$13,516,335 balance of deferred outflow of resources, at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$43,682,584) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,870,747 balance of deferred inflow of resources, at June 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$43,682,584) includes the effect of deferring the recognition of revenue from a mineral lease. The District received \$150,000 up-front during the fiscal year ended June 30, 2013 for a 5-year mineral lease. The \$30,000 balance of the deferred inflow of resources at June 30, 2016, will be recognized as revenue and increase unrestricted net position over the remaining year of the agreement.

Note 15 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 11, 2014 creating the Lowndes County School District Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Noxubee County School District and Lowndes County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Lowndes County School District has been designated as the lead school district for the Lowndes County School District Alternative School, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Lowndes County School District Alternative School.

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2016

Revenues

Local sources:

Tuition from other LEA's within the state

\$ 84,500

Total Revenues

84,500

Expenditures

Salaries

382,757

Employee benefits

144,385

Purchased property services

53,327

Other purchased services

1,370

Supplies

18,435

Property

48,674

Total Expenditures

648,948

Excess (Deficiency) of Revenues Over (under) Expenditures

(564,448)

Other Financing Sources/Uses:

Operating transfers in

573,512

Total Other Financing Sources/Uses

573,512

Net Change in Fund Balance

9,064

Fund Balance:

July 1, 2015

74,780

June 30, 2016

\$ 83,844

Note 16 - Trust Certificates

A trust agreement dated October 20, 2014, was executed by and between the Lowndes County School District and The Peoples Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$7,995,000. Approximately \$7,832,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$163,000 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

Lowndes County School District

Notes to the Financial Statements For the Year Ended June 30, 2016

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.

Note 17 - Insurance Loss Recoveries

The Lowndes County School District received \$66,874 in insurance loss recoveries related to floor water damage during the 2015-2016 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional.

Note 18 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustments were made to properly present long term liabilities.	\$ 303
2. See explanation below.	194
Total	<u>\$ 497</u>

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

Major Funds	Explanation	Amount
Lease Purchase 2014 Fund	Adjustment in prior year revenues.	<u>\$ 194</u>

Note 19 - 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 Lowndes County School District evaluated the activity of the district through the date the financial statements were available to be issued and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

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	\$ 23,173,900	\$ 23,185,700	\$ 22,036,717	\$ 11,800	\$ (1,148,983)
State sources	23,282,360	23,282,360	23,749,066	-	466,706
Federal sources	819,124	819,124	505,665	-	(313,459)
Sixteenth section sources	-	198,560	362,736	198,560	164,176
Total Revenues	47,275,384	47,485,744	46,654,184	210,360	(831,560)
Expenditures:					
Instruction	25,856,365	26,741,378	25,848,375	(885,013)	893,003
Support services	22,797,833	24,236,490	21,516,229	(1,438,657)	2,720,261
Sixteenth section	-	99,591	66,641	(99,591)	32,950
Facilities acquisition and construction	-	-	32,026	-	(32,026)
Debt service:					
Principal	2,168,358	2,168,358	2,161,632	-	6,726
Interest	244,243	244,243	250,030	-	(5,787)
Other	-	1,353	1,353	(1,353)	-
Total Expenditures	51,066,799	53,491,413	49,876,286	(2,424,614)	3,615,127
Excess (Deficiency) of Revenues over (under) Expenditures	(3,791,415)	(6,005,669)	(3,222,102)	(2,214,254)	2,783,567
Other Financing Sources (Uses):					
Inception of capital leases	5,067,850	5,067,850	5,069,725	-	1,875
Insurance recovery	-	-	66,874	-	66,874
Operating transfers in	4,293,213	4,293,213	207,803	-	(4,085,410)
Operating transfers out	(5,504,051)	(5,504,051)	(1,333,334)	-	4,170,717
Total Other Financing Sources (Uses)	3,857,012	3,857,012	4,011,068	-	154,056
Net Change in Fund Balances	65,597	(2,148,657)	788,966	(2,214,254)	2,937,623
Fund Balances:					
July 1, 2015	10,463,106	15,744,750	15,744,750	5,281,644	-
June 30, 2016	\$ 10,528,703	\$ 13,596,093	\$ 16,533,716	\$ 3,067,390	\$ 2,937,623

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

Lowndes County School District

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

PERS

Last 10 Fiscal Years*

	2016	2015
District's proportion of the net pension liability (asset)	\$ 66,225,284	49,366,176
District's proportionate share of the net pension liability (asset)	0.428420%	0.406702%
District's covered - employee payroll	26,765,206	24,862,933
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.43%	198.55%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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.

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

	2016	2015
Contractually required contribution	\$ 4,410,660	4,215,520
Contributions in relation to the contractually required contribution	4,410,660	4,215,520
Contribution deficiency (excess)	\$ -	-
District's covered - employee payroll	28,004,190	26,765,206
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.

Lowndes County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(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. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

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

Lowndes County School District
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2016

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 397,038
National School Lunch Program	10.555	1,338,625
Summer Food Service Program for Children	10.559	11,533
Total Child Nutrition Cluster		<u>1,747,196</u>
Child and Adult Care Food Program	10.558	5,100
Total passed-through Mississippi Department of Education		<u>1,752,296</u>
Total U.S. Department of Agriculture		<u><u>1,752,296</u></u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,640
Total U.S. Department of Defense		<u><u>50,640</u></u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,027,955
Impact Aid	84.041	41,253
Career and Technical Education - Basic Grants to States	84.048	50,190
Education for Homeless Children and Youth	84.196	27,717
Rural Education	84.358	115,123
Supporting Effective Instruction State Grant	84.367	335,430
Subtotal		<u>1,597,668</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,021,280
Special Education - Preschool Grants	84.173	18,806
Total Special Education Cluster		<u>1,040,086</u>
Total passed-through the Mississippi Department of Education		<u>2,637,754</u>
Total U.S. Department of Education		<u><u>2,637,754</u></u>
Total for All Federal Awards		\$ <u><u>4,440,690</u></u>

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

Lowndes County School District**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 38,435,608	30,362,859	1,040,554	2,870,582	4,161,613
Other	40,014,488	2,799,993	663,198	47,258	36,504,039
Total	\$ 78,450,096	33,162,852	1,703,752	2,917,840	40,665,652
Total number of students *	4,803				
Cost per student	\$ 16,335	6,905	355	608	8,467

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

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

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

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

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

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

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

Lowndes County School District

Notes to the Supplementary Information For the Year Ended June 30, 2016

(1) Schedule of Expenditures of Federal Awards

- a. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the school district and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.
- b. The pass-through entities did not assign identifying numbers to the school district.
- c. The school district did not elect to use the 10% de minimis indirect cost rate.
- d. Donated commodities of \$263,149 are included in the National School Lunch Program.

(2) Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

- a. This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 22,036,717	22,010,457	21,968,644	18,942,505
Intermediate sources	-	-	31,475	-
State sources	23,749,066	21,938,057	20,101,254	19,714,509
Federal sources	505,665	832,984	653,399	718,948
Sixteenth section sources	362,736	153,530	-	-
Total Revenues	<u>46,654,184</u>	<u>44,935,028</u>	<u>42,754,772</u>	<u>39,375,962</u>
Expenditures:				
Instruction	25,848,375	24,721,632	23,205,426	23,694,258
Support services	21,516,229	16,936,353	15,254,098	14,319,715
Sixteenth section	66,641	-	-	-
Facilities acquisition and construction	32,026			
Debt service:				
Principal	2,161,632	213,714	-	-
Interest	250,030	112,853	-	-
Other	1,353	-	-	-
Total Expenditures	<u>49,876,286</u>	<u>41,984,552</u>	<u>38,459,524</u>	<u>38,013,973</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,222,102)</u>	<u>2,950,476</u>	<u>4,295,248</u>	<u>1,361,989</u>
Other Financing Sources (Uses):				
Inception of capital leases	5,069,725	946,685	-	-
Insurance recovery	66,874	3,306	-	-
Sale of transportation equipment	-	-	-	40,443
Operating transfers in	207,803	254,893	73,316	91,415
Operating transfers out	(1,333,334)	(1,212,592)	(10,207,650)	(1,310,719)
Total Other Financing Sources (Uses)	<u>4,011,068</u>	<u>(7,708)</u>	<u>(10,134,334)</u>	<u>(1,178,861)</u>
Net Change in Fund Balances	<u>788,966</u>	<u>2,942,768</u>	<u>(5,839,086)</u>	<u>183,128</u>
Fund Balances:				
July 1, as previously reported	15,744,750	8,559,253	14,398,339	14,215,211
Fund reclassification	-	4,242,729	-	-
July 1, as restated	<u>15,744,750</u>	<u>12,801,982</u>	<u>14,398,339</u>	<u>14,215,211</u>
June 30,	<u>\$ 16,533,716</u>	<u>15,744,750</u>	<u>8,559,253</u>	<u>14,398,339</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

LOWNDES 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	\$ 23,986,055	23,287,008	23,585,980	21,128,159
Intermediate sources	-	-	31,475	-
State sources	24,413,031	22,576,972	21,545,489	21,098,256
Federal sources	4,905,802	5,137,226	5,219,957	5,792,719
Sixteenth section sources	386,965	153,580	256,113	152,810
Total Revenues	<u>53,691,853</u>	<u>51,154,786</u>	<u>50,639,014</u>	<u>48,171,944</u>
Expenditures:				
Instruction	28,817,818	27,673,068	25,837,500	26,740,245
Support services	24,007,639	18,603,312	16,993,314	16,503,265
Noninstructional services	2,022,404	1,943,768	2,106,804	2,034,714
Sixteenth section	85,347	21,227	77,090	73,679
Facilities acquisition and construction	19,655,708	6,104,379	2,834,007	-
Debt service:				
Principal	2,601,632	1,323,714	5,960,000	1,662,597
Interest	635,213	518,689	490,089	328,541
Other	624,335	7,775	3,200	2,950
Total Expenditures	<u>78,450,096</u>	<u>56,195,932</u>	<u>54,302,004</u>	<u>47,345,991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,758,243)</u>	<u>(5,041,146)</u>	<u>(3,662,990)</u>	<u>825,953</u>
Other Financing Sources (Uses):				
Bonds and notes issued	44,000,000	-	11,500,000	-
Other long-term debt issued	-	7,995,000	-	-
Inception of capital leases	5,069,725	946,685	-	-
Premium on debt issuance	-	120,450	-	-
Payments to escrow agent	-	-	-	(214,993)
Insurance recovery	66,874	3,306	-	-
Sale of transportation equipment	-	-	-	40,443
Premiums on bonds and refunding bonds issued	1,775,268	-	-	-
Operating transfers in	21,476,410	1,679,360	10,770,577	1,401,134
Payment to QSCB escrow agent	214,000	215,000	214,993	214,993
Operating transfers out	(21,476,410)	(1,679,360)	(10,770,577)	(1,401,134)
Payment to QSCB debt escrow agent	(214,000)	(215,000)	(214,993)	-
Other financing uses	-	-	-	(124)
Total Other Financing Sources (Uses)	<u>50,911,867</u>	<u>9,065,441</u>	<u>11,500,000</u>	<u>40,319</u>
Net Change in Fund Balances	<u>26,153,624</u>	<u>4,024,295</u>	<u>7,837,010</u>	<u>866,272</u>
Fund Balances:				
July 1, as previously reported	38,740,604	34,740,983	26,879,960	26,034,170
Prior period adjustments	194	-	-	-
July 1, as restated	<u>38,740,798</u>	<u>34,740,983</u>	<u>26,879,960</u>	<u>26,034,170</u>
Increase (Decrease) in inventory	2,961	(24,674)	24,013	(20,482)
June 30,	<u>\$ 64,897,383</u>	<u>38,740,604</u>	<u>34,740,983</u>	<u>26,879,960</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Lowndes County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes 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 Lowndes County School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Lowndes County School District

Report on Compliance for Each Major Federal Program

We have audited Lowndes 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 Lowndes County School District's major federal programs for the year ended June 30, 2016. The Lowndes County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Lowndes 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-001, 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

Lowndes County School District's responses to the noncompliance findings identified in our audit are described in the accompanying auditee's corrective action plan. Lowndes County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Lowndes County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lowndes 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, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and

therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001, 2016-002 and 2016-003 that we consider to be significant deficiencies.

Lowndes County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lowndes County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2016, which collectively comprise the Lowndes County School District's basic financial statements and have issued our report thereon dated December 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lowndes County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are to be required to be reported in accordance with 2 CFR 200.516(a)? Yes.
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

U.S Department of Education

Passed through the Mississippi Department of Education

Program Name: Child nutrition Cluster

CFDA #10.553, 10.555 and 10.559

Finding: 2016-001

Significant Deficiency

Cash Management

Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

During the course of our audit, the auditor found that three of the ten monthly cash requests tested were not submitted timely.

Context:

Of the 10 monthly cash requests, we examined 10 and determined that 3 of these were not submitted timely.

Effect:

Lack of adequate controls concerning the timely submission of the “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Identification of a report finding:

This is a repeat finding from the immediate previous audit, 2015-002.

Whether sampling was statically valid:

No.

Cause:

Adequate controls were not in place to ensure monthly cash requests were submitted timely.

Recommendation:

The school district should implement policies and procedures to ensure cash requests are submitted within 10 days of the following month so funds are received in a timely manner.

Views of responsible officials:

Per the corrective actions, all have been corrected.

Finding: 2016 - 002

Significant Deficiency

Eligibility

Criteria:

The National School Nutrition Program requires that any child enrolled in a participating school or summer camp, or attending a SFSP meal service site who belongs to a household meeting nationwide income eligibility requirements may receive meals at no charge or at a reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price for their meals.

Condition:

Auditors noted nine individuals out of twenty three verifications received assistance although their family incomes were above the provided income standard.

Context:

The district was required to verify fifty three applicants for testing. We examined twenty three files and noted nine applicants received assistance although their family incomes were above the provided income standard.

Effect:

The school district did not perform adequate tests to determine students eligibility for free and reduced resulting in students not qualifying for free meals.

Whether sampling was statically valid:

No.

Cause:

Lack of adequate controls in place to properly determine if students qualify for free and reduced lunch.

Recommendation:

Controls should be implemented to ensure that information gathered for free and reduced eligibility should be accurate and in compliance with National School Nutrition Program verification process.

View of responsible officials:

Per the corrective actions, all have been corrected.

Finding: 2016-003

Significant Deficiency Reporting

Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

The enrollment data was incorrectly reported for the month of February 2016. We noted that 10,491 meals were not submitted in the monthly claim.

Context:

10,491 meals were not submitted in the monthly claim.

Effect:

Lack of adequate controls concerning the submission of the “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports could result in the district not receiving the correct amount of federal reimbursement to the cover the expenditures of the program.

Whether sampling was statically valid:

No.

Cause:

Lack of controls to ensure data entered on the claims for reimbursement form is accurate.

Recommendation:

Controls should be implemented to ensure that information entered on the claim for reimbursement document is accurate.

View of responsible officials:

Per the corrective actions, all have been corrected.

AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Dr. Robin Ballard
Assistant Superintendent

Lowndes County School District

Percy Lee
Vocational and Tech Prep Director

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Kenneth Hughes
Business Officer/Administrator

Lynn Wright
Superintendent

Dr. Susan Johnson
Special Education Director

Mia Johnson
Child Nutrition Director

Veronica Hill
Personnel Director

“Challenge all students to attain their greatest potential.”

Jeanise Andrews
Technology Coordinator

AUDITEE’S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Lowndes County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2016:

Finding

Corrective Action Plan Details

2016-001

- a. Mia Johnson

Phone Number: 662-244-5021
- b. Corrective Action Planned: The district has a new Food Service Director that understands the requirement to submit the claims in a timely matter.
- c. Anticipated Completion Date: July 1, 2016

2016-002

- a. Mia Johnson

Phone Number: 662-244-5021
- b. Corrective Action Planned: The district has a new Food Service Director that understands the requirement to verify a student’s eligibility.
- c. Anticipated Completion Date: July 1, 2016



Dr. Robin Ballard
Assistant Superintendent

Lowndes County School District

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Vocational and Tech Prep Director

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Lynn Wright
Superintendent

Dr. Susan Johnson
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Mia Johnson
Child Nutrition Director

Jeanise Andrews
Technology Coordinator

“Challenge all students to attain their greatest potential.”

2016-003

- a. Mia Johnson

Phone Number: 662-244-5021
- b. Corrective Action Planned: The district has a new Food Service Director that understands the requirement to accurately report all data on the monthly claim.
- c. Anticipated Completion Date: July 1, 2016



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Lowndes County School District

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Technology Coordinator

PRIOR YEAR AUDIT FINDINGS FOLLOW-UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Lowndes County School District has prepared and hereby submits the following prior year audit findings follow-up as of June 30, 2016:

<u>Finding</u>	<u>Status</u>
2015-001	Not Corrected (See Finding 2016-002)
2015-002	Not Corrected (See Finding 2016-001)
2015-003	Corrected