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LAUDERDALE COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lauderdale County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lauderdale County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 2, 2018, on my consideration of the Lauderdale County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lauderdale County School District's 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 Lauderdale County School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 2, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2017

The following discussion and analysis of Lauderdale County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 decreased \$6,103,074, which represents an 18% decrease from fiscal year 2016. Total net position for 2016 decreased \$2,758,112, including a prior period adjustment of \$19,688, which represents a 9% decrease from fiscal year 2015.
- General revenues amounted to \$48,080,859 and \$47,558,911, or 85% and 84% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,661,061, or 15% of total revenues for 2017, and \$8,739,458, or 16% of total revenues for 2016.
- The District had \$62,844,994 and \$59,076,169 in expenses for fiscal years 2017 and 2016; only \$8,661,061 for 2017 and \$8,739,458 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$48,080,859 for 2017 and \$47,558,911 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$48,491,556 in revenues and \$45,806,342 in expenditures for 2017, and \$47,697,940 in revenues and \$46,589,292 in expenditures in 2016. The General Fund's fund balance increased by \$994,286 from 2016 to 2017, and decreased by \$790,916 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$1,028,308 for 2017 and increased by \$1,342,018 for 2016. The decrease for 2017 was due to the disposal of equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$894,354 for 2017 and increased by \$417,202 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$35,520 for 2017 and increased by \$15,003 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$39,756,970 as of June 30, 2017.

The District's financial position is a product of several financial transactions including the net result of activities, the 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, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 12,293,553	\$ 11,361,763	8.20 %
Restricted assets	4,107,201	4,337,773	(5.32) %
Capital assets, net	26,530,857	27,559,165	(3.73) %
Total assets	42,931,611	43,258,701	(0.76) %
Deferred outflows of resources	23,988,829	20,277,818	18.30 %
Current liabilities	487,322	475,628	2.46 %
Long-term debt outstanding	7,509,511	8,403,865	(10.64) %
Net pension liability	93,248,665	81,511,727	14.40 %
Total liabilities	101,245,498	90,391,220	12.01 %
Deferred inflows of resources	5,431,912	6,799,195	(20.11) %
Net position:			
Net investment in capital assets	19,700,027	20,005,165	(1.53) %
Restricted	4,318,747	4,623,509	(6.59) %
Unrestricted	(63,775,744)	(58,282,570)	(9.43) %
Total net position	\$ (39,756,970)	\$ (33,653,896)	(18.13) %

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)	\$ (63,775,744)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	74,691,748
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 10,916,004</u>

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

- Decrease in net capital assets in the amount of \$1,028,308.
- The principal retirement of \$929,874 of long-term debt.
- Inclusion of net pension liability of \$93,248,665.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$56,741,920 and \$56,298,369, respectively. The total cost of all programs and services was \$62,844,994 for 2017 and \$59,076,169 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,296,936	\$ 1,379,286	(5.97) %
Operating grants and contributions	7,364,125	7,360,172	0.05 %
General revenues:			
Property taxes	14,290,010	13,161,451	8.57 %
Grants and contributions not restricted	33,110,571	33,427,351	(0.95) %
Investment earnings	88,793	70,347	26.22 %
Sixteenth section sources	440,264	517,216	(14.88) %
Other	151,221	382,546	(60.47) %
Total revenues	56,741,920	56,298,369	0.79 %
Expenses:			
Instruction	30,478,778	30,821,457	(1.11) %
Support services	17,366,632	16,699,101	4.00 %
Non-instructional	2,671,262	2,814,968	(5.11) %
Sixteenth section	348,389	249,156	39.83 %
Pension expense	11,869,573	8,376,447	41.70 %
Interest on long-term liabilities	110,360	115,040	(4.07) %
Total expenses	62,844,994	59,076,169	6.38 %
Increase (Decrease) in net position	(6,103,074)	(2,777,800)	(119.71) %
Net Position, July 1, as previously reported	(33,653,896)	(30,895,784)	(8.93) %
Prior Period Adjustment	0	19,688	N/A
Net Position, July 1, as restated	(33,653,896)	(30,876,096)	(9.00) %
Net Position, June 30	\$ (39,756,970)	\$ (33,653,896)	(18.13) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 30,478,778	\$ 30,821,457	(1.11) %
Support services	17,366,632	16,699,101	4.00 %
Non-instructional	2,671,262	2,814,968	(5.11) %
Sixteenth section	348,389	249,156	39.83 %
Pension Expense	11,869,573	8,376,447	41.70 %
Interest on long-term liabilities	110,360	115,040	(4.07) %
Total expenses	\$ 62,844,994	\$ 59,076,169	6.38 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (26,364,083)	\$ (26,725,959)	(1.35) %
Support services	(15,764,670)	(15,148,874)	4.06 %
Non-instructional	273,142	238,476	14.54 %
Sixteenth section	(348,389)	(208,867)	66.80 %
Pension Expense	(11,869,573)	(8,376,447)	41.70 %
Interest on long-term liabilities	(110,360)	(115,040)	(4.07) %
Total net (expense) revenue	\$ (54,183,933)	\$ (50,336,711)	7.64 %

- Net cost of governmental activities (\$54,183,933 for 2017 and \$50,336,711 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$14,290,010 for 2017 and \$13,161,451 for 2016) and state and federal revenues (\$33,110,571 for 2017 and \$33,427,351 for 2016). In addition, there was \$440,264 and \$517,216 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$88,793 for 2017 and \$70,347 for 2016.

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 \$15,938,016, an increase of \$687,555, which includes an increase in inventory of \$37,408. \$11,160,018 or 70% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$4,777,998 or 30% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$994,286. The fund balance of Other Governmental Funds showed a decrease in the amount of \$306,731, which includes an increase in reserve for inventory of \$37,408. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
EHA, Part B Grant 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 and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$47,110,364, including land, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$344,531 from 2016. Total accumulated depreciation as of June 30, 2017, was \$20,579,507, and total depreciation expense for the year was \$1,124,386, resulting in total net capital assets of \$26,530,857.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 482,482	\$ 482,482	0.00 %
Construction in Progress	0	1,233,450	N/A
Buildings	22,394,450	21,854,716	2.47 %
Improvements other than buildings	1,444,651	1,520,659	(5.00) %
Mobile equipment	1,821,929	2,105,625	(13.47) %
Furniture and equipment	387,345	362,233	6.93 %
Total	\$ 26,530,857	\$ 27,559,165	(3.73) %

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

Debt Administration. At June 30, 2017, the District had \$7,509,511 in outstanding long-term debt, of which \$912,233 is due within one year. The liability for compensated absences increased \$35,520 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Certificates of participation payable	\$ 1,140,830	\$ 1,259,000	(9.39) %
Three mill notes payable	2,875,000	3,480,000	(17.39) %
Obligations under energy efficiency leases	128,384	335,088	(61.69) %
Qualified school construction bonds payable	2,815,000	2,815,000	0.00 %
Compensated absences payable	550,297	514,777	6.90 %
Total	\$ 7,509,511	\$ 8,403,865	(10.64) %

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

CURRENT ISSUES

The Lauderdale County School District is financial stable. The District is proud of its community support of its public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting 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. Enrollment for the 2016-2017 year decreased 4% to 5,575 students.

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 Lauderdale County School District, 301 46th Court, Meridian, MS 39305.

BASIC FINANCIAL STATEMENTS

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LAUDERDALE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,344,687
Due from other governments	1,801,418
Other receivables, net	37,205
Inventories	110,243
Restricted assets (Note 4)	4,107,201
Non-depreciable capital assets (Note 5)	482,482
Depreciable capital assets, net (Note 5)	26,048,375
Total Assets	<u>42,931,611</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	23,988,829
Total Deferred Outflows of Resources	<u>23,988,829</u>
Liabilities	
Accounts payable and accrued liabilities	462,738
Interest payable on long-term liabilities	24,584
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	739,825
Non-capital related liabilities	172,408
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	6,091,005
Non-capital related liabilities	506,273
Net pension liability (Note 8)	93,248,665
Total Liabilities	<u>101,245,498</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	5,431,912
Total Deferred Inflows of Resources	<u>5,431,912</u>
Net Position	
Net investment in capital assets	19,700,027
Restricted net position	
Expendable	
School-based activities	1,182,113
Debt service	2,160,300
Capital Projects	16
Forestry improvements	456,966
Unemployment benefits	126,284
Non-expendable	
Sixteenth section	393,068
Unrestricted	<u>(63,775,744)</u>
Total Net Position	<u>\$ (39,756,970)</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 30,478,778	628,156	3,486,539	(26,364,083)
Support services	17,366,632	47,961	1,554,001	(15,764,670)
Non-instructional	2,671,262	620,819	2,323,585	273,142
Sixteenth section	348,389			(348,389)
Pension expense	11,869,573			(11,869,573)
Interest on long-term liabilities	110,360			(110,360)
Total Governmental Activities	62,844,994	1,296,936	7,364,125	(54,183,933)
General Revenues				
Taxes				
General purpose levies				13,613,725
Debt purpose levies				676,285
Unrestricted grants and contributions				
State				33,004,329
Federal				106,242
Unrestricted investment earnings				88,793
Sixteenth section sources				440,264
Other				151,221
Total General Revenues				48,080,859
Changes in Net Position				(6,103,074)
Net Position - Beginning				(33,653,896)
Net Position - Ending				\$ (39,756,970)

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit C

	Major Funds			Other	Total
	General	Title I-A	EHA Part B	Governmental	Governmental
	Fund	Basic	Grant	Funds	Funds
		Fund	Fund		
Assets					
Cash and cash equivalents (Note 2)	\$ 10,344,687			3,696,513	14,041,200
Cash with fiscal agent (Note 2)				5,111	5,111
Investments (Note 2)				405,577	405,577
Due from other governments	736,871	378,163	349,308	337,076	1,801,418
Other receivables, net	37,205				37,205
Due from other funds (Note 3)	1,116,987				1,116,987
Advances to other funds (Note 3)				228,151	228,151
Inventories				110,243	110,243
Total Assets	12,235,750	378,163	349,308	4,782,671	17,745,892
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	412,914		83	49,741	462,738
Due to other funds (Note 3)		378,163	349,225	389,599	1,116,987
Advances from other funds (Note 3)	228,151				228,151
Total Liabilities	641,065	378,163	349,308	439,340	1,807,876
Fund Balances					
Nonspendable					
Inventory				110,243	110,243
Permanent fund principal				164,917	164,917
Advances				228,151	228,151
Restricted					
Debt service				2,184,884	2,184,884
Capital projects				16	16
Forestry improvements				456,966	456,966
Unemployment benefits				126,284	126,284
Grant activities				1,071,870	1,071,870
Assigned					
School activities	434,667				434,667
Unassigned	11,160,018				11,160,018
Total Fund Balances	11,594,685	0	0	4,343,331	15,938,016
Total Liabilities and Fund Balances	\$ 12,235,750	378,163	349,308	4,782,671	17,745,892

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 15,938,016
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	482,482	
Buildings	34,471,726	
Improvement other than buildings	3,109,620	
Mobile equipment	7,658,135	
Furniture and equipment	1,388,401	
Accumulated depreciation	<u>(20,579,507)</u>	26,530,857
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		(93,248,665)
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	23,988,829	
Deferred inflows of resources related to pensions	<u>(5,431,912)</u>	18,556,917
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds payable	(2,815,000)	
Notes payable	(2,875,000)	
Certificates of participation	(1,140,830)	
Energy efficiency lease obligations	(128,384)	
Compensated absences	(550,297)	
Accrued interest payable	<u>(24,584)</u>	<u>(7,534,095)</u>
Total Net Position - Governmental Activities		<u>\$ (39,756,970)</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

	Major Funds				
	General Fund	Title I-A Basic Fund	EHA Part B Grant Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 14,461,923	594		1,348,718	15,811,235
State sources	33,512,164			1,213,613	34,725,777
Federal sources	64,178	1,244,172	1,461,917	2,978,655	5,748,922
Sixteenth section sources	453,291			12,773	466,064
Total Revenues	48,491,556	1,244,766	1,461,917	5,553,759	56,751,998
Expenditures					
Instruction	28,605,069	993,495	726,562	2,994,415	33,319,541
Support services	16,505,542	218,091	707,284	1,133,330	18,564,247
Noninstructional services		9,180	116	2,848,818	2,858,114
Sixteenth section	333,009			18,910	351,919
Facilities acquisition and construction				1,405	1,405
Debt service					
Principal (Note 6)	324,874			605,000	929,874
Interest	37,848			82,688	120,536
Other				1,871	1,871
Total Expenditures	45,806,342	1,220,766	1,433,962	7,686,437	56,147,507
Excess (Deficiency) of Revenues Over Expenditures	2,685,214	24,000	27,955	(2,132,678)	604,491
Other Financing Sources (Uses)					
Insurances loss recoveries	45,314				45,314
Sale of transportation equipment	50				50
Sale of other property	292				292
Operating transfers in (Note 3)	162,078		45	1,898,617	2,060,740
Operating transfers out (Note 3)	(1,898,662)	(24,000)	(28,000)	(110,078)	(2,060,740)
Payment held by QSCB escrow agent				80,000	80,000
Payment to QSCB escrow agent				(80,000)	(80,000)
Total Other Financing Sources (Uses)	(1,690,928)	(24,000)	(27,955)	1,788,539	45,656
Net Change in Fund Balances	994,286	0	0	(344,139)	650,147
Fund Balances					
July 1, 2016	10,600,399	0	0	4,650,062	15,250,461
Increase in reserve for inventory	0	0	0	37,408	37,408
June 30, 2017	<u>\$ 11,594,685</u>	<u>0</u>	<u>0</u>	<u>4,343,331</u>	<u>15,938,016</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Exhibit D-1

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, 2017

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 650,147

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

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

Capital outlay	134,730	
Depreciation expense	<u>(1,124,386)</u>	(989,656)

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

(38,652)

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

Payments of debt principal	929,874	
Accrued interest payable	<u>1,969</u>	931,843

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	5,210,929	
Pension expense for the current year	<u>(11,869,573)</u>	(6,658,644)

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

Change in compensated absences	(35,520)	
Change in inventory reserve	<u>37,408</u>	<u>1,888</u>

Changes in Net Position of Governmental Activities	<u>\$ (6,103,074)</u>
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The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
June 30, 2017

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents (Note 2)	\$ <u> </u>	<u>2,482,058</u>
Total Assets	<u> 0</u>	<u>2,482,058</u>
Liabilities		
Accounts payable and accrued liabilities		2,124,033
Due to student clubs	<u> </u>	<u>358,025</u>
Total Liabilities	<u> 0</u>	<u>2,482,058</u>
Net Position		
Reserved for endowments	<u> 0</u>	
Total Net Position	\$ <u> 0</u>	

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 3
Total Additions	<u>3</u>
Deductions	
Scholarships awarded	693
Total Deductions	<u>693</u>
Changes in Net Position	<u>(690)</u>
Net Position	
July 1, 2016	<u>690</u>
June 30, 2017	<u>\$ 0</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1)

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund - This special revenue fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental educational services for students.

EHA, Part B Grant Fund - This special revenue fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

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:

President Freedom Fund - This is the District's private purpose trust fund to account for endowments.

Payroll Clearing Fund - This is the District's clearing fund used for payments of payroll and benefits.

Club Fund - This is the District's activity fund to record assets and liabilities of the District's various student clubs.

Cafeteria Plan Fund - This is the District's fund to record assets and liabilities of the District's cafeteria plan.

Accounts Payable Clearing Fund - This is the District's clearing fund used to pay claims of the District.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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.

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 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, 2014*, issued by the U.S. Department of Education.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

D. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund is

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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.

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred outflow related to pensions in accordance with GASB 68.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has a deferred inflow related to pensions in accordance with GASB 68.

See Note 15 for further details.

8. Compensated Absences

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

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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 school district business manager pursuant to authorization established by official school board policy.

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 14,041,200 and \$2,482,058, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance 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 \$5,111.

Investments

As of June 30, 2017, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury securities	AAA	more than one year	\$ 405,577
Total			<u>\$ 405,577</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted

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prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district's recurring fair value measurements as of June 30, 2017 are valued using quoted market prices (Level 1 inputs).

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Treasury securities	\$ 405,577	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 378,163
	EHA, Part B Grant Fund	349,225
	Other governmental funds	389,599
Total		<u>\$ 1,116,987</u>

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Other governmental funds	General Fund	<u>\$ 228,151</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is 4%.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 24,761	\$ 9,126	\$ 33,887
2019	25,751	8,136	33,887
2020	26,781	7,106	33,887
2021	27,853	6,034	33,887
2022	28,967	4,920	33,887
2023 - 2025	94,038	7,622	101,660
Total	\$ 228,151	\$ 42,944	\$ 271,095

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	EHA, Part B Grant Fund	\$ 45
	Other governmental funds	1,898,617
Title I-A Basic Fund	General Fund	24,000
EHA, Part B Grant Fund	General Fund	28,000
Other governmental funds	General Fund	110,078
Total		<u>\$ 2,060,740</u>

The purpose of the inter-fund transfers is to transfer federal program indirect cost to the General Fund and to close out federal program funds at year end.

Note 4 – Restricted Assets

The restricted assets of \$4,107,201 represents the cash balance, totaling \$3,696,513, of various federal and state programs which are legally restricted. In addition, the restricted assets also represent the cash with fiscal agent and investment balances, totaling \$5,111 and \$405,577, respectively, of the QSCB Bond Retirement Funds.

Note 5 – Capital Assets

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

LAUDERDALE COUNTY SCHOOL DISTRICT
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	Balance 7/1/2016	Increases	Decreases	Adjustment	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 482,482				\$ 482,482
Construction-in-progress	1,233,450	1,405		(1,234,855)	0
Total non-depreciable capital assets	1,715,932	1,405	0	(1,234,855)	482,482
<u>Depreciable capital assets:</u>					
Buildings	33,236,871			1,234,855	34,471,726
Improvements other than buildings	3,109,620				3,109,620
Mobile equipment	8,034,342		376,207		7,658,135
Furniture and equipment	1,358,130	133,325	103,054		1,388,401
Total depreciable capital assets	45,738,963	133,325	479,261	1,234,855	46,627,882
<u>Less accumulated depreciation for:</u>					
Buildings	11,382,155	695,121			12,077,276
Improvements other than buildings	1,588,961	76,008			1,664,969
Mobile equipment	5,928,717	246,075	338,586		5,836,206
Furniture and equipment	995,897	107,182	102,023		1,001,056
Total accumulated depreciation	19,895,730	1,124,386	440,609	0	20,579,507
Total depreciable capital assets, net	25,843,233	(991,061)	38,652	1,234,855	26,048,375
Governmental activities capital assets, net	\$ 27,559,165	\$ (989,656)	\$ 38,652	\$ 0	\$ 26,530,857

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 758,613
Support services	303,180
Non-instructional	62,593
Total depreciation expense - Governmental activities	<u>\$ 1,124,386</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Certificates of participation payable	\$ 1,259,000		\$ 118,170	\$ 1,140,830	\$ 119,825
B. Three mill notes payable	3,480,000		605,000	2,875,000	620,000
C. Obligations under energy efficiency leases	335,088		206,704	128,384	128,384
D. Qualified school construction bonds payable	2,815,000			2,815,000	0
E. Compensated absences payable	514,777	35,520		550,297	44,024
Total	\$ 8,403,865	\$ 35,520	\$ 929,874	\$ 7,509,511	\$ 912,233

A. Certificates of participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, Series 2016	1.40%	6/24/2016	6/1/2026	\$ 1,259,000	\$ 1,140,830

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 119,825	\$ 15,972	\$ 135,797
2019	121,502	14,294	135,796
2020	123,203	12,593	135,796
2021	124,928	10,868	135,796
2022	126,677	9,119	135,796
2023 - 2026	524,695	18,492	543,187
Total	\$ 1,140,830	\$ 81,338	\$ 1,222,168

This debt will be retired from the District Maintenance (General) fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest	Issue Date	Maturity	Amount	Amount
Three mill ten year note payable	2-2.25%	4/1/2013	4/1/2022	\$ 4,855,000	\$ 2,875,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 620,000	\$ 60,237	\$ 680,237
2019	585,000	47,838	632,838
2020	575,000	36,138	611,138
2021	565,000	24,638	589,638
2022	530,000	11,925	541,925
Total	\$ 2,875,000	\$ 180,776	\$ 3,055,776

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2013 is secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to secure the maturities of the note. The note proceeds were used for building additions and renovations.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
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C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GE Capital Solutions Energy Efficiency Lease	4.67%	2/7/2003	2/7/2018	\$ 1,881,885	\$ 128,384

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 128,384	\$ 2,008	\$ 130,392

This debt will be retired from the District Maintenance (General) fund.

An energy efficiency lease agreement dated February 7, 2003, was executed by and between the district, the lessee, and Transamerica Public Finance, LLC, the lessor.

The agreement authorized the borrowing of \$1,881,885 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified School Construction Bond 2009	0.69%	12/21/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000
2. Qualified School Construction Bond 2014	0.00%	8/20/2014	9/15/2028	1,315,000	1,315,000
Total				<u>\$ 2,815,000</u>	<u>\$ 2,815,000</u>

The following is a schedule by years of the total payments due on the Qualified School Construction Bond 2009:

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Year Ending June 30	Principal	Interest	Total
2018	\$	\$ 10,350	\$ 10,350
2019		10,350	10,350
2020		10,350	10,350
2021		10,350	10,350
2022		10,350	10,350
2023 – 2025	1,500,000	31,050	1,531,050
Total	\$ 1,500,000	\$ 82,800	\$ 1,582,800

E. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Kyocera 5501i Digital Copier
2. Ricoh 6002 Digital Copier
3. (2) Toshiba E-453 CPM Digital Copiers
4. Toshiba Digital Copier e-Studio 857
5. (8) Dishwashing Machines
6. Kyocera 6501i Copier System
7. Kyocera Digital Color Copier System Model CS-4551
8. Savin 9060 Digital Copier
9. Kyocera Desktop Color Copier System Model M6035
10. Kyocera/Copystar Digital Copier System Model CS-3501i
11. (2) Kyocera CPST/CS-DP770 Copiers
12. Kyocera CPST/CS-3500I Copier
13. Ricoh Pro 8200S Copier

Lease expenditures for the year ended June 30, 2017, amounted to \$78,306.

Future lease payments for these leases are as follows:

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Year Ending June 30	Amount
2018	\$ 79,707
2019	49,829
2020	31,835
2021	25,363
2022	16,146
Total	<u>\$ 202,880</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 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, 2017, 2016 and 2015 were \$5,210,929, \$5,260,360 and \$5,188,672, 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, 2017, the school district reported a liability of \$93,248,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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

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entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.522036 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.005274 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$11,869,573. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,478,572	\$ 0
Net difference between projected and actual earnings on pension plan investments	10,945,573	4,532,796
Changes of assumptions	4,440,356	247,790
Changes in proportion and differences between District contributions and proportionate share of contributions	913,399	651,326
District contributions subsequent to the measurement date	5,210,929	0
Total	<u>\$ 23,988,829</u>	<u>\$ 5,431,912</u>

\$5,210,929 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, 2018. 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 Ending June 30:		
2018	\$	4,860,262
2019		3,485,390
2020		3,158,187
2021		1,842,149
Total	\$	<u>13,345,988</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

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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	100 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution 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 members. 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	\$ 119,565,695	\$ 93,248,665	\$ 71,414,060

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

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands 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.

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Year Ending June 30	Amount
2018	\$ 370,518
2019	372,744
2020	363,691
2021	361,563
2022	363,441
2023 – 2027	1,857,110
2028 – 2032	1,740,833
2033 – 2037	1,441,742
2038 – 2042	1,090,020
Thereafter	2,402,094
Total	<u>\$ 10,363,756</u>

Note 10 – Contingencies

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

Note 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.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. [The district has not had an additional assessment for excess losses incurred by the pool.]

Note 12 – Trust Certificates

A trust agreement dated June 24, 2016 was executed by and between the school district and U.S. Bank National Association as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,259,000. Approximately \$1,235,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$24,000 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

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lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

Note 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 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. There were no subsidy payment associated with these debts.

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, 2017 was \$384,893 for the Qualified School Construction Bond 2010 and \$25,795 for the Qualified School Construction Bond 2015. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

1. Qualified School Construction Bond 2010:

Year Ending June 30	Amount
2018	\$ 140,000
2019	140,000
2020	140,000
2021	140,000
2022	140,000
2023 – 2025	420,000
Total	<u>\$ 1,120,000</u>

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

2. Qualified School Construction Bond 2015:

Year Ending June 30	Amount
2018	\$ 60,000
2019	35,000
2020	20,000
2021	35,000
2022	35,000
2023 – 2027	765,000
2028 – 2029	340,000
Total	<u>\$ 1,290,000</u>

Total Qualified School Construction Bonds:

Year Ending June 30	Amount
2018	\$ 200,000
2019	175,000
2020	160,000
2021	175,000
2022	175,000
2023 – 2027	1,185,000
2028 – 2029	340,000
Total	<u>\$ 2,410,000</u>

Note 14 - Insurance loss recoveries

The Lauderdale County School District received \$45,314 in insurance loss recoveries related to property damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 45,314	100%	Support services

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$63,775,744) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$23,988,829 balance of the deferred outflow of resources at June 30, 2016 will be recognized as expenses and decrease unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$63,775,744) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$5,431,912 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the next 3 years.

Note 16 - 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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through February 2, 2018, 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

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LAUDERDALE COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 13,579,266	14,461,923	14,461,923	882,657	0
State sources	33,818,165	33,512,164	33,512,164	(306,001)	0
Federal sources	25,000	64,178	64,178	39,178	0
Sixteenth section sources	288,175	453,291	453,291	165,116	0
Total Revenues	<u>47,710,606</u>	<u>48,491,556</u>	<u>48,491,556</u>	<u>780,950</u>	<u>0</u>
Expenditures					
Instruction	29,294,321	28,605,069	28,605,069	689,252	0
Support services	18,488,074	16,505,542	16,505,542	1,982,532	0
Sixteenth section	147,420	333,009	333,009	(185,589)	0
Debt service					
Principal	356,476	324,874	324,874	31,602	0
Interest	23,148	37,848	37,848	(14,700)	0
Total Expenditures	<u>48,309,439</u>	<u>45,806,342</u>	<u>45,806,342</u>	<u>2,503,097</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(598,833)</u>	<u>2,685,214</u>	<u>2,685,214</u>	<u>3,284,047</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	5,000	45,314	45,314	40,314	0
Sale of transportation equipment	500	50	50	(450)	0
Sale of other property	500	292	292	(208)	0
Operating transfers in	6,749,530	6,411,514	162,078	(338,016)	(6,249,436)
Operating transfers out	(8,448,172)	(8,148,098)	(1,898,662)	300,074	6,249,436
Total Other Financing Sources (Uses)	<u>(1,692,642)</u>	<u>(1,690,928)</u>	<u>(1,690,928)</u>	<u>1,714</u>	<u>0</u>
Net Change in Fund Balances			<u>994,286</u>		
Fund Balances					
July 1, 2016			<u>10,600,399</u>		
June 30, 2017			<u>\$ 11,594,685</u>		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I-A Basic Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 0	594	594	594	0
Federal sources	1,140,531	1,244,172	1,244,172	103,641	0
Sixteenth section sources			0	0	0
Total Revenues	<u>1,140,531</u>	<u>1,244,766</u>	<u>1,244,766</u>	<u>104,235</u>	<u>0</u>
Expenditures					
Instruction	1,732,741	993,495	993,495	739,246	0
Support services	563,440	218,091	218,091	345,349	0
Noninstructional services	23,627	9,180	9,180	14,447	0
Total Expenditures	<u>2,319,808</u>	<u>1,220,766</u>	<u>1,220,766</u>	<u>1,099,042</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,179,277)</u>	<u>24,000</u>	<u>24,000</u>	<u>1,203,277</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(49,591)	(24,000)	(24,000)	25,591	0
Total Other Financing Sources (Uses)	<u>(49,591)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>25,591</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA, Part B Grant Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,305,000	1,461,917	1,461,917	156,917	0
Total Revenues	<u>1,305,000</u>	<u>1,461,917</u>	<u>1,461,917</u>	<u>156,917</u>	<u>0</u>
Expenditures					
Instruction	1,086,380	726,562	726,562	359,818	0
Support services	689,767	707,284	707,284	(17,517)	0
Noninstructional services		116	116	(116)	0
Total Expenditures	<u>1,776,147</u>	<u>1,433,962</u>	<u>1,433,962</u>	<u>342,185</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(471,147)</u>	<u>27,955</u>	<u>27,955</u>	<u>499,102</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in		45	45	45	0
Operating transfers out	(48,601)	(28,000)	(28,000)	20,601	0
Total Other Financing Sources (Uses)	<u>(48,601)</u>	<u>(27,955)</u>	<u>(27,955)</u>	<u>20,646</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

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

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.522036%	0.527310%	0.515232%
District's proportionate share of the net pension liability (asset)	\$ 93,248,665	81,511,727	62,539,731
District's covered payroll	\$ 33,399,111	32,943,949	31,469,010
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.20%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

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

	2017	2016	2015
Contractually required contribution	\$ 5,210,929	5,260,360	5,188,672
Contributions in relation to the contractually required contribution	5,210,929	5,260,360	5,188,672
Contribution deficiency (excess)	0	0	0
District's covered payroll	\$ 33,085,263	33,399,111	32,943,949
Contributions as a percentage of covered payroll	15.75%	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 the 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.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of assumptions

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

SUPPLEMENTARY INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,532,659
National school lunch program	10.555	1,648,051
Summer food service program for children	10.559	11,853
Total child nutrition cluster		<u>3,192,563</u>
Total passed-through Mississippi Department of Education		<u>3,192,563</u>
Total U.S. Department of Agriculture		<u>3,192,563</u>
 U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	<u>54,139</u>
Total U.S. Department of Defense		<u>54,139</u>
 U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,244,766
Career and technical education - basic grants to states	84.048	57,881
Supporting effective instruction - state grants	84.367	331,414
Total		<u>1,634,061</u>
Special education - grants to states	84.027	1,461,917
Special education - preschool grants	84.173	30,017
Total special education cluster		<u>1,491,934</u>
Total passed-through Mississippi Department of Education		<u>3,125,995</u>
Total U.S. Department of Education		<u>3,125,995</u>
 U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	<u>42,065</u>
Total passed-through Mississippi Department of Education		<u>42,065</u>
Total U.S. Department of Health and Human Services		<u>42,065</u>
 Total for All Federal Awards		<u>\$ 6,414,762</u>

The notes to the Supplementary Information are an integral part of this schedule.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. 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). 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 assets, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 44,619,828	34,772,686	1,445,644	3,167,837	5,233,661
Other	11,527,679	3,151,378	495,820	197,542	7,682,939
Total	56,147,507	37,924,064	1,941,464	3,365,379	12,916,600
Total number of students	5,575				
Cost per student	\$ 10,072	6,803	348	604	2,317

Notes to the schedule.

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

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

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

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

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

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OTHER INFORMATION

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

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 14,461,923	13,388,029	13,161,067	13,359,576
State sources	33,512,164	33,716,427	33,607,759	32,592,862
Federal sources	64,178	69,646	0	112,303
Sixteenth section sources	453,291	523,838	790,993	0
Total Revenues	48,491,556	47,697,940	47,559,819	46,064,741
Expenditures				
Instruction	28,605,069	28,739,010	28,858,850	27,649,128
Support services	16,505,542	17,393,713	17,431,558	18,982,108
Noninstructional services	0	5,580	0	200
Sixteenth section	333,009	227,649	289,368	
Facilities acquisition and construction	0	0	275,852	0
Debt service				
Principal	324,874	191,801	177,800	164,657
Interest	37,848	31,539	29,144	37,113
Total Expenditures	45,806,342	46,589,292	47,062,572	46,833,206
Excess (Deficiency) of Revenues Over Expenditures	2,685,214	1,108,648	497,247	(768,465)
Other Financing Sources (Uses)				
Insurances loss recoveries	45,314	118,455	8,195	12,192
Sale of transportation equipment	50	3,487	0	0
Sale of other property	292	0	365	0
Operating transfers in	162,078	121,808	154,308	86,173
Operating transfers out	(1,898,662)	(2,143,314)	(1,743,100)	(1,966,735)
Total Other Financing Sources (Uses)	(1,690,928)	(1,899,564)	(1,580,232)	(1,868,370)
Net Change in Fund Balances	994,286	(790,916)	(1,082,985)	(2,636,835)
Fund Balances				
July 1, as previously reported	10,600,399	11,391,315	10,439,680	13,093,211
Prior period adjustments	0	0	0	(16,696)
Fund reclassification	0	0	2,034,620	0
July 1, as restated	<u>10,600,399</u>	<u>11,391,315</u>	<u>12,474,300</u>	<u>13,076,515</u>
June 30	<u>\$ 11,594,685</u>	<u>10,600,399</u>	<u>11,391,315</u>	<u>10,439,680</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 15,811,235	14,944,171	14,682,055	14,980,997
State sources	34,725,777	34,881,617	34,947,578	33,667,987
Federal sources	5,748,922	5,905,906	5,630,531	5,522,370
Sixteenth section sources	466,064	577,669	865,688	519,890
Total Revenues	56,751,998	56,309,363	56,125,852	54,691,244
Expenditures				
Instruction	33,319,541	33,745,260	33,293,571	32,045,099
Support services	18,564,247	19,019,036	19,531,111	20,551,199
Noninstructional services	2,858,114	3,053,092	2,859,689	2,886,682
Sixteenth section	351,919	252,694	304,970	199,063
Facilities acquisition and construction	1,405	1,213,762	882,462	0
Debt service				
Principal	929,874	856,801	827,800	1,149,657
Interest	120,536	127,527	138,132	171,500
Other	1,871	1,557	2,500	3,714
Total Expenditures	56,147,507	58,269,729	57,840,235	57,006,914
Excess (Deficiency) of Revenues Over Expenditures	604,491	(1,960,366)	(1,714,383)	(2,315,670)
Other Financing Sources (Uses)				
Proceeds of bonds and notes	0	1,259,000	1,315,000	0
Insurance loss recoveries	45,314	118,455	8,195	12,192
Sale of transportation equipment	50	3,487	0	0
Sale of other property	292	0	365	0
Payment held by escrow agent	80,000	105,000	60,000	55,000
Payment to escrow agent	(80,000)	(105,000)	(60,000)	(55,000)
Operating transfers in	2,060,740	2,489,622	2,346,568	2,052,908
Operating transfers out	(2,060,740)	(2,489,622)	(2,346,568)	(2,052,908)
Total Other Financing Sources (Uses)	45,656	1,380,942	1,323,560	12,192
Net Change in Fund Balances	650,147	(579,424)	(390,823)	(2,303,478)
Fund Balances				
July 1, as previously reported	15,250,461	15,820,352	16,216,651	18,313,996
Prior period adjustments	0	0	0	217,859
July 1, as restated	15,250,461	15,820,352	16,216,651	18,531,855
Increase (Decrease) in reserve for inventory	37,408	9,533	(5,476)	(11,726)
June 30	\$ 15,938,016	15,250,461	15,820,352	16,216,651

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lauderdale County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lauderdale County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Lauderdale County School District's basic financial statements, and have issued my report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 2, 2018

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lauderdale County School District

Report on Compliance for Each Major Federal Program

I have audited Lauderdale 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 Lauderdale County School District's major federal programs for the year ended June 30, 2017. Lauderdale County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Lauderdale 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, 2017.

Report on Internal Control Over Compliance

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

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item [2017-001] that I consider to be a significant deficiency.

Lauderdale County School District's response to the internal control over compliance findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 2, 2018

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

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CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Superintendent and School Board
Lauderdale County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2017, which collectively comprise Lauderdale County School District's basic financial statements and have issued my report thereon dated February 2, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

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

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
February 2, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|------------------------------------------------------------------------------------------------------|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2017-001.

Program CFDA No.: 84.027, 84.173 CFDA program title: Special Education Cluster
Passed through the Mississippi Department of Education

Compliance Requirement: Procurement, Suspension and Debarment

CRITERIA: The federal office of Management and Budget sets forth uniform guidance for the administration of federal grant awards. The district is charged with the responsibility of designing and implementing a set of internal controls to ensure compliance with competitive purchasing requirements of the grant award. For all purchases of goods and services exceeding the micro-purchase threshold amount of \$3,500, the district must show that competitiveness was introduced into the purchasing process through quotes or formal bid process. There are three tiers of guidance relating to procurement and the requirement that competitiveness be introduced into the purchasing

LAUDERDALE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

process. "For small purchase procedures" of purchase between \$3,500 and \$150,000, nonfederal entities are allowed to follow procedures that are relatively simple and informal. However, price and rate quotations must be obtained from an adequate number of qualified sources for purchases falling within this range. The discretion of determining the adequate number of qualified sources is left to the nonfederal entity. Purchases over \$150,000 are considered large purchases that require a sealed bid process. Currently our state purchasing laws are not aligned directly with federal guidance. However, recipients of federal grants are expected to meet the requirements of federal guidance. This includes the retention of documents to substantiate compliance with competitive purchasing requirements.

CONDITION: The school district failed to maintain documentation to demonstrate that competitive purchasing requirements were met in three (3) instances of program expenditures. One of the instances was carried forward from the prior year as a result of the timing of the engagement and has since been corrected.

CAUSE: The district failed to implement a thorough system of internal controls surrounding competitive purchasing.

EFFECT: The failure to maintain documentation could result in a noncompliance determination by an oversight agency.

QUESTION COSTS: None

PREVALENCE AND CONSEQUENCE: This is considered an isolated matter.

REPEAT FINDING: No

RECOMMENDATION: It is recommended that the district ensure procedures are sufficient to provide assurance that required competitive bidding practices on purchases exceeding the micro-purchase threshold of \$3,500 for commodities and services are documented.

AUDITEE'S CORRECTIVE ACTION PLAN

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Corrective Action Plan

February 2, 2018

As required by 2 CFR 200.511 (a), the Lauderdale County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Finding 2017-001

Corrective Action Plan

- a. The contact person responsible for corrective action is Mrs. Diane Freeman
- b. Our district will exhibit due diligence in maintaining the necessary documentation to verify our district complies with a strong system of internal controls surrounding competitive purchasing.
- c. Anticipated completion date of corrective action: Immediately

Sincerely,

Randy Hodges

Superintendent of Education

George Hedgepeth, Director of Finance

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