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**LOWNDES 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  
Lowndes 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 Lowndes 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 Lowndes County School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 June 26, 2018, on my consideration of the Lowndes 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 Lowndes 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 Lowndes County School District's internal control over financial reporting and compliance.

***Charles L Shivers***

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
June 26, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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LOWNDES COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

The following discussion and analysis of Lowndes County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$13,190,238, including a prior period adjustment of (\$4,481), which represents a 444% decrease from fiscal year 2016. Total net position for 2016 decreased \$7,189,225, including a prior period adjustment of \$497, which represents a 71% decrease from fiscal year 2015.
- General revenues amounted to \$46,328,384 and \$46,390,073, or 86% and 86% 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 \$7,587,203, or 14% of total revenues for 2017, and \$7,368,654, or 14% of total revenues for 2016.
- The District had \$67,101,344 and \$60,948,449 in expenses for fiscal years 2017 and 2016; only \$7,587,203 for 2017 and \$7,368,654 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,328,384 for 2017 and \$46,390,073 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$47,129,147 in revenues and \$44,482,201 in expenditures for 2017, and \$46,654,184 in revenues and \$49,876,286 in expenditures in 2016. The General Fund's fund balance decreased by \$7,835,705 from 2016 to 2017, including a prior period adjustment of (\$4,481), and increased by \$788,966 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$27,721,821 for 2017 and increased by \$18,037,268 for 2016. The increase for 2017 was due primarily to the completed construction of various school facilities and the ongoing construction and renovation of other school facilities.
- Long-term debt, excluding compensated absences and bond premiums, decreased by \$3,475,146 for 2017 and increased by \$46,467,790 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$171,846 for 2017 and increased by \$54,047 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 New Pension Liability, and Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

#### **Supplementary Information**

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

## Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,217,329 as of June 30, 2017.

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

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

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 8,716,497	\$ 21,285,202	(59.05) %
Restricted assets	23,887,021	46,928,953	(49.10) %
Capital assets, net	94,385,840	66,664,019	41.58 %
<b>Total assets</b>	<b>126,989,358</b>	<b>134,878,174</b>	<b>(5.85) %</b>
 <b>Deferred outflows of resources</b>	 <b>13,981,745</b>	 <b>13,516,335</b>	 <b>3.44 %</b>
Current liabilities	4,642,586	4,680,403	(0.81) %
Long-term debt outstanding	68,203,975	71,615,166	(4.76) %
Net pension liability	78,193,795	66,225,284	18.07 %
<b>Total liabilities</b>	<b>151,040,356</b>	<b>142,520,853</b>	<b>5.98 %</b>
 <b>Deferred inflows of resources</b>	 <b>148,076</b>	 <b>2,900,747</b>	 <b>(94.90) %</b>
 <b>Net position:</b>			
Net investment in capital assets	46,508,100	41,952,804	10.86 %
Restricted	2,159,990	4,702,689	(54.07) %
Unrestricted	(58,885,419)	(43,682,584)	(34.80) %
<b>Total net position</b>	<b>\$ (10,217,329)</b>	<b>\$ 2,972,909</b>	<b>(443.68) %</b>

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)	\$ (58,885,419)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	64,360,126
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,474,707</u>

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

- Increase in net capital assets in the amount of \$27,721,821.
- The principal retirement of \$3,475,146 of long-term debt.
- Recognition of the net pension liability in the amount of \$78,193,795.

## Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$53,915,587 and \$53,758,727, respectively. The total cost of all programs and services was \$67,101,344 for 2017 and \$60,948,449 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,641,329	\$ 1,643,745	(0.15) %
Operating grants and contributions	5,945,874	5,724,909	3.86 %
General revenues:			
Property taxes	21,513,386	21,856,558	(1.57) %
Grants and contributions not restricted	24,174,029	23,593,923	2.46 %
Investment earnings	124,597	236,970	(47.42) %
Sixteenth section sources	176,759	368,867	(52.08) %
Other	339,613	333,755	1.76 %
<b>Total revenues</b>	<b>53,915,587</b>	<b>53,758,727</b>	<b>0.29 %</b>
<b>Expenses:</b>			
Instruction	30,026,923	27,028,739	11.09 %
Support services	19,732,616	23,165,977	(14.82) %
Non-instructional	2,379,771	1,912,011	24.46 %
Sixteenth section	83,964	85,347	(1.62) %
Pension expense	12,847,359	6,300,646	103.91 %
Interest on long-term liabilities	2,030,711	2,455,729	(17.31) %
<b>Total expenses</b>	<b>67,101,344</b>	<b>60,948,449</b>	<b>10.10 %</b>
<b>Increase (Decrease) in net position</b>	<b>(13,185,757)</b>	<b>(7,189,722)</b>	<b>(83.40) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>2,972,909</b>	<b>10,162,134</b>	<b>(70.75) %</b>
<b>Prior Period Adjustment</b>	<b>(4,481)</b>	<b>497</b>	<b>(1,001.61) %</b>
<b>Net Position, July 1, as restated</b>	<b>2,968,428</b>	<b>10,162,631</b>	<b>(70.79) %</b>
<b>Net Position, June 30</b>	<b>\$ (10,217,329)</b>	<b>\$ 2,972,909</b>	<b>(443.68) %</b>

## Governmental activities

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

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

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 30,026,923	\$ 27,028,739	11.09 %
Support services	19,732,616	23,165,977	(14.82) %
Non-instructional	2,379,771	1,912,011	24.46 %
Sixteenth section	83,964	85,347	(1.62) %
Pension Expense	12,847,359	6,300,646	103.91 %
Interest on long-term liabilities	2,030,711	2,455,729	(17.31) %
<b>Total expenses</b>	<b>\$ 67,101,344</b>	<b>\$ 60,948,449</b>	<b>10.10 %</b>



	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (26,588,385)	\$ (23,885,474)	11.32 %
Support services	(17,841,697)	(21,118,170)	(15.51) %
Non-instructional	(125,039)	247,472	(150.53) %
Sixteenth section	(80,950)	(67,248)	20.38 %
Pension Expense	(12,847,359)	(6,300,646)	103.91 %
Interest on long-term liabilities	(2,030,711)	(2,455,729)	(17.31) %
<b>Total net (expense) revenue</b>	<b>\$ (59,514,141)</b>	<b>\$ (53,579,795)</b>	<b>11.08 %</b>

- Net cost of governmental activities (\$59,514,141 for 2017 and \$53,579,795 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$21,513,386 for 2017 and \$21,856,558 for 2016) and state and federal revenues (\$24,174,029 for 2017 and \$23,593,923 for 2016). In addition, there was \$176,759 and \$368,867 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$124,597 for 2017 and \$236,970 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 \$28,636,265, a decrease of \$36,261,118, which includes a prior period adjustment of (\$4,481) and a decrease in inventory of \$45,314. \$8,110,298, or 28% 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 \$20,525,967, or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$7,835,705, which includes a prior period adjustment of (\$4,481). The fund balance of Other Governmental Funds showed a decrease in the amount of \$37,848,058, which includes a decrease in inventory of \$45,314. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Local Construction Fund	no increase or decrease
Caledonia Elementary Project Fund	\$ (2,883,260)
NHHS Building Project Fund	7,380,156
LCSD Career Tech Building Project Fund	4,925,749

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$136,992,122, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$30,207,777 from 2016, due primarily to the completed construction of school facilities and the ongoing construction and renovation of other school facilities. Total accumulated depreciation as of June 30, 2017, was \$42,606,282, and total depreciation expense for the year was \$2,608,003, resulting in total net capital assets of \$94,385,840.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 2,349,388	\$ 2,349,388	0.00 %
Construction in Progress	25,699,071	21,747,111	18.17 %
Buildings	55,226,383	31,621,179	74.65 %
Building improvements	2,731,390	2,878,020	(5.09) %
Improvements other than buildings	5,080,603	4,567,142	11.24 %
Mobile equipment	2,683,308	3,155,485	(14.96) %
Furniture and equipment	615,697	345,694	78.10 %
<b>Total</b>	<b>\$ 94,385,840</b>	<b>\$ 66,664,019</b>	<b>41.58 %</b>

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 \$68,203,975 in outstanding long-term debt, including bond premiums, of which \$3,547,107 is due within one year. During the fiscal year, the District made principal payments totaling \$3,475,146 on outstanding long-term debt. The liability for compensated absences increased \$171,846 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 43,120,000	\$ 44,000,000	(2.00) %
Certificates of participation payable	6,915,000	7,455,000	(7.24) %
Three mill notes payable	10,275,000	10,745,000	(4.37) %
Obligations under capital leases	2,595,615	4,180,761	(37.92) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	627,689	455,843	37.70 %
<b>Total</b>	<b>\$ 66,533,304</b>	<b>\$ 69,836,604</b>	<b>(4.73) %</b>
 Premiums/discounts	 1,670,671	 1,778,562	 (6.07) %
<b>Total</b>	<b>68,203,975</b>	<b>71,615,166</b>	<b>(4.76) %</b>

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

## CURRENT ISSUES

The Lowndes County School District is financially stable. The District is proud of its community support of the public schools.

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lowndes County School District, 1053 Highway 45 South, Columbus, MS 39701.

## BASIC FINANCIAL STATEMENTS

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

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 6,994,464
Cash with fiscal agent	10,829
Due from other governments	1,681,742
Inventories	29,462
Restricted assets (Note 4)	23,887,021
Non-depreciable capital assets (Note 5)	28,048,459
Depreciable capital assets, net (Note 5)	66,337,381
Total Assets	<u>126,989,358</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 8)	13,981,745
Total Deferred Outflows of Resources	<u>13,981,745</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,967,253
Interest payable on long-term liabilities	675,333
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	1,915,000
Non-capital related liabilities	1,632,107
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	61,395,000
Capital related bond premiums	1,670,671
Non-capital related liabilities	1,591,197
Net pension liability (Note 8)	78,193,795
Total Liabilities	<u>151,040,356</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 8)	148,076
Total Deferred Inflows of Resources	<u>148,076</u>
<b>Net Position</b>	
Net investment in capital assets	46,508,100
Restricted net position	
Expendable	
School-based activities	374,146
Debt service	1,163,274
Forestry improvements	31,746
Unemployment benefits	117,622
Non-expendable	
Sixteenth section	473,202
Unrestricted	<u>(58,885,419)</u>
Total Net Position	<u>\$ (10,217,329)</u>

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

LOWNDES 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
Governmental Activities				
Instruction	\$ 30,026,923	1,285,408	2,153,130	(26,588,385)
Support services	19,732,616		1,890,919	(17,841,697)
Non-instructional	2,379,771	352,907	1,901,825	(125,039)
Sixteenth section	83,964	3,014		(80,950)
Pension expense	12,847,359			(12,847,359)
Interest on long-term liabilities	2,030,711			(2,030,711)
Total Governmental Activities	67,101,344	1,641,329	5,945,874	(59,514,141)
General Revenues				
Taxes				
General purpose levies				20,533,093
Debt purpose levies				980,293
Unrestricted grants and contributions				
State				23,449,680
Federal				724,349
Unrestricted investment earnings				124,597
Sixteenth section sources				176,759
Other				339,613
Total General Revenues				46,328,384
Changes in Net Position				(13,185,757)
Net Position - Beginning, as previously reported				2,972,909
Prior Period Adjustments (Note 10)				(4,481)
Net Position - Beginning - as restated				2,968,428
Net Position - Ending				\$ (10,217,329)

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

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

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Local Construction Fund	Caledonia Elementary Project Fund	NHHS Building Project Fund	LCSD Career Tech Building Project Fund	Other Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents (Note 2)	\$ 6,994,464	848,994	4,743,814	9,280,563	5,709,521	1,984,530	29,561,886
Cash with fiscal agent (Note 2)	10,829						10,829
Investments (Note 2)						1,319,599	1,319,599
Due from other governments	1,172,374					509,368	1,681,742
Due from other funds (Note 3)	757,045						757,045
Inventories						29,462	29,462
<b>Total Assets</b>	<b>8,934,712</b>	<b>848,994</b>	<b>4,743,814</b>	<b>9,280,563</b>	<b>5,709,521</b>	<b>3,842,959</b>	<b>33,360,563</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable & accrued liabilities	236,701	848,994	27,000	1,900,407	783,772	170,379	3,967,253
Due to other funds (Note 3)						757,045	757,045
<b>Total Liabilities</b>	<b>236,701</b>	<b>848,994</b>	<b>27,000</b>	<b>1,900,407</b>	<b>783,772</b>	<b>927,424</b>	<b>4,724,298</b>
<b>Fund Balances</b>							
Nonspendable							
Inventory						29,462	29,462
Permanent fund principal						473,202	473,202
Restricted							
Debt service						1,838,607	1,838,607
Capital projects						80,212	17,102,931
Forestry improvements					4,925,749	31,746	31,746
Unemployment benefits						117,622	117,622
Grant activities						344,684	344,684
Assigned							
Activity funds	532,356						532,356
Cafeteria plan	55,357						55,357
Unassigned	8,110,298						8,110,298
<b>Total Fund Balances</b>	<b>8,698,011</b>	<b>0</b>	<b>4,716,814</b>	<b>7,380,156</b>	<b>4,925,749</b>	<b>2,915,535</b>	<b>28,636,265</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,934,712</b>	<b>848,994</b>	<b>4,743,814</b>	<b>9,280,563</b>	<b>5,709,521</b>	<b>3,842,959</b>	<b>33,360,563</b>

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

LOWNDES 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		\$ 28,636,265
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	2,349,388	
Construction in Progress	25,699,071	
Buildings	86,820,586	
Building Improvements	3,665,761	
Improvement other than buildings	7,563,593	
Mobile equipment	7,877,982	
Furniture and equipment	3,015,741	
Accumulated depreciation	<u>(42,606,282)</u>	94,385,840
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		(78,193,795)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	13,981,745	
Deferred inflows of resources related to pensions	<u>(148,076)</u>	13,833,669
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(43,120,000)	
Other bonds payable	(3,000,000)	
Notes payable	(10,275,000)	
Certificates of participation	(6,915,000)	
Capital lease obligations	(2,595,615)	
Compensated absences	(627,689)	
Unamortized premiums	(1,670,671)	
Accrued interest payable	<u>(675,333)</u>	<u>(68,879,308)</u>
Total Net Position - Governmental Activities		<u>\$ (10,217,329)</u>

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



LOWNDES COUNTY SCHOOL DISTRICT

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

Exhibit D

	Major Funds					
	General Fund	Local Construction Fund	Caledonia Elementary Project Fund	NHHS Building Project Fund	LCSD Career Tech Building Project Fund	Total Governmental Funds
<b>Revenues</b>						
Local sources	\$ 22,036,848					23,583,909
State sources	24,191,265					24,902,635
Federal sources	724,350					5,217,270
Sixteenth section sources	176,684					179,773
<b>Total Revenues</b>	<b>47,129,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53,883,587</b>
<b>Expenditures</b>						
Instruction	25,695,474		1,880,316			30,829,105
Support services	16,305,159		302,020			20,223,070
Noninstructional services						2,861,802
Sixteenth section	61,503					83,964
Facilities acquisition and construction			7,114,922	15,275,263	6,413,973	29,807,798
Debt service						
Principal (Note 6)	2,125,146					3,475,146
Interest	292,384					2,842,524
Other	2,535					14,376
<b>Total Expenditures</b>	<b>44,482,201</b>	<b>0</b>	<b>9,297,258</b>	<b>15,275,263</b>	<b>6,413,973</b>	<b>90,137,785</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,646,946</b>	<b>0</b>	<b>(9,297,258)</b>	<b>(15,275,263)</b>	<b>(6,413,973)</b>	<b>(36,254,198)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of other property	10,875					10,875
Operating transfers in (Note 3)	436,083		6,413,998	22,655,419	11,339,722	51,035,349
Payment held by QSCB debt escrow agent						214,000
Other financing sources						32,000
Operating transfers out (Note 3)	(10,925,128)					(40,110,221)
Payment to refunded bond escrow agent						(214,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,478,170)</b>	<b>0</b>	<b>6,413,998</b>	<b>22,655,419</b>	<b>11,339,722</b>	<b>42,875</b>
<b>Net Change in Fund Balances</b>	<b>(7,831,224)</b>	<b>0</b>	<b>(2,883,260)</b>	<b>7,380,156</b>	<b>4,925,749</b>	<b>(36,211,323)</b>
<b>Fund Balances</b>						
July 1, 2016, as previously reported	16,533,716		7,600,074			64,897,383
Prior period adjustments (Note 10)	(4,481)					(4,481)
<b>July 1, 2016, as restated</b>	<b>16,529,235</b>	<b>0</b>	<b>7,600,074</b>	<b>0</b>	<b>0</b>	<b>64,892,902</b>
Decrease in reserve for inventory						(45,314)
<b>June 30, 2017</b>	<b>\$ 8,698,011</b>	<b>0</b>	<b>4,716,814</b>	<b>7,380,156</b>	<b>4,925,749</b>	<b>28,636,265</b>

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

LOWNDES COUNTY SCHOOL DISTRICT  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (36,211,323)

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	30,401,012	
Depreciation expense	<u>(2,608,003)</u>	27,793,009

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.

(71,188)

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

Payments of debt principal	3,475,146	
Accrued interest payable	<u>718,298</u>	4,193,444

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	4,066,929	
Pension expense for the current year	<u>(12,847,359)</u>	(8,780,430)

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	(171,846)	
Change in inventory reserve	(45,314)	
Amortization of deferred charges, premiums and discounts	<u>107,891</u>	(109,269)

Changes in Net Position of Governmental Activities	<u>\$ (13,185,757)</u>
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The notes to the financial statements are an integral part of this statement.

LOWNDES 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)	\$ 10,614	2,503,726
Total Assets	10,614	2,503,726
Liabilities		
Accounts payable and accrued liabilities		2,484,260
Due to student clubs		19,466
Total Liabilities	0	2,503,726
Net Position		
Reserved for endowments	10,614	
Total Net Position	\$ 10,614	

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

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

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 31
Total Additions	<u>31</u>
Deductions	
Scholarships awarded	0
Total Deductions	<u>0</u>
Changes in Net Position	<u>31</u>
Net Position	
July 1, 2016	<u>10,583</u>
June 30, 2017	<u>\$ 10,614</u>

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

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

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

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

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

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

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

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

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

**Local Construction Fund** - This capital project fund is used to account for construction and renovation projects in the school district and is financed with local sources.

**Caledonia Elementary Project Fund** - This capital project fund is used to account for the proceeds received for the Caledonia Elementary building project.

**NHHS Building Project Fund** - This capital project fund is used to account for the proceeds received for the New Hope High School building project.

**LCSD Career Tech Building Project Fund** - This capital project fund is used to account for the proceeds received for the Lowndes County School District Career Tech building project.

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

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

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

**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.

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

**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.

**D. Encumbrances**

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

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

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



# LOWNDES COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2017

### 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
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

### 7. Deferred outflows/inflows of resources

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

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

### 8. Compensated Absences

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

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the District to achieve and maintain a minimum unassigned fund balance in the General Fund that is not less than 15% of the current year revenues of the District Maintenance Fund (General Fund).

# LOWNDES 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 \$ 29,561,886 and \$2,514,340, 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.

#### Cash with Fiscal Agents

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

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A	N/A	Less than 1	\$ 1,319,599
Total			<u>\$ 1,319,599</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 prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant

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

unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017: All investments 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.

**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	Other governmental funds	\$ 757,045
Total		<u>\$ 757,045</u>

The purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Major Fund - Caledondia Elementary Project Fund	\$ 4,554,748
	Major Fund - NHHS Building Project Fund	45,393
	Major Fund - LCSD Career Tech Building Project Fund	37,587
	Other Governmental Funds	6,287,400
Other Governmental Funds	General Fund	436,083
	Major Fund - Caledondia Elementary Project Fund	1,859,250
	Major Fund - NHHS Building Project Fund	22,610,026
	Major Fund - LCSD Career Tech Building Project Fund	11,302,135
	Other governmental funds	<u>3,902,727</u>
Total		<u>\$ 51,035,349</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, ROTC and capital projects in the Other Governmental Funds and the capital project major funds. The transfer from Other Governmental Funds to the General Fund was for indirect cost. The transfers from the Other Governmental Funds to the capital project major funds were to fund the current capital projects. The transfer from Other Governmental Funds to the Other Governmental Funds was to fund capital projects and debt service.

**LOWNDES COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2017

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance of the Debt Service Funds of \$1,319,599 which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$22,567,422 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,349,388				2,349,388
Construction-in-progress	21,747,111	29,807,798		(25,855,838)	25,699,071
Total non-depreciable capital assets	<u>24,096,499</u>	<u>29,807,798</u>	<u>0</u>	<u>(25,855,838)</u>	<u>28,048,459</u>
<u>Depreciable capital assets:</u>					
Buildings	61,774,108			25,046,478	86,820,586
Building improvements	3,665,761				3,665,761
Improvements other than buildings	6,805,689	68,805	(120,261)	809,360	7,563,593
Mobile equipment	7,877,982				7,877,982
Furniture and equipment	2,564,306	524,409	(72,974)		3,015,741
Total depreciable capital assets	<u>82,687,846</u>	<u>593,214</u>	<u>(193,235)</u>	<u>25,855,838</u>	<u>108,943,663</u>
<u>Less accumulated depreciation for:</u>					
Buildings	30,152,929	1,441,274			31,594,203
Building improvements	787,741	146,630			934,371
Improvements other than buildings	2,238,547	297,358	(52,915)		2,482,990
Mobile equipment	4,722,497	472,177			5,194,674
Furniture and equipment	2,218,612	250,564	(69,132)		2,400,044
Total accumulated depreciation	<u>40,120,326</u>	<u>2,608,003</u>	<u>(122,047)</u>	<u>0</u>	<u>42,606,282</u>
Total depreciable capital assets, net	<u>42,567,520</u>	<u>(2,014,789)</u>	<u>(71,188)</u>	<u>25,855,838</u>	<u>66,337,381</u>
Governmental activities capital assets, net	<u>\$ 66,664,019</u>	<u>27,793,009</u>	<u>(71,188)</u>	<u>0</u>	<u>94,385,840</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 1,834,586
Support services	692,960
Non-instructional	80,457
Total depreciation expense - Governmental activities	<u>\$ 2,608,003</u>

The details of construction-in-progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
<b>Governmental Activities:</b>		
LCSD Career Tech Center	\$ 6,930,064	4,879,744
New Hope High School	18,769,007	7,108,463
Total governmental activities	<u>25,699,071</u>	<u>11,988,207</u>

LOWNDES COUNTY SCHOOL DISTRICT  
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Construction projects included in governmental activities are funded with remaining proceeds of debt and local funds.

**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. General obligation bonds payable	\$ 44,000,000		880,000	43,120,000	880,000
B. Certificates of participation payable	7,455,000		540,000	6,915,000	560,000
C. Limited tax notes payable	10,745,000		470,000	10,275,000	475,000
D. Obligations under capital leases	4,180,761		1,585,146	2,595,615	1,600,723
E. Qualified school construction bonds payable	3,000,000			3,000,000	
F. Compensated absences payable	455,843	171,846		627,689	31,384
Total	\$ 69,836,604	171,846	\$ 3,475,146	66,533,304	3,547,107

  

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within
Premiums	\$ 1,778,562	0	107,891	1,670,671	107,891

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bond - Series 2015	3.0-4.0%	9/1/2015	9/1/2032	\$ 44,000,000	43,120,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 880,000	1,471,724	2,351,724
2019	880,000	1,445,325	2,325,325
2020	1,100,000	1,415,626	2,515,626
2021	1,400,000	1,371,126	2,771,126
2022	2,600,000	1,304,126	3,904,126
2023 – 2027	14,800,000	5,017,130	19,817,130
2028 – 2032	17,660,000	2,046,441	19,706,441
2033	3,800,000	61,750	3,861,750
Total	\$ 43,120,000	14,133,248	57,253,248

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7,

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Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 12.7% of property assessments as of October 1, 2016.

**B. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates	2.65-4.0%	10/24/2014	10/1/2027	<u>\$ 7,995,000</u>	<u>6,915,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 560,000	203,142	763,142
2019	575,000	180,142	755,142
2020	595,000	156,342	751,342
2021	620,000	131,542	751,542
2022	645,000	112,192	757,192
2023 - 2027	3,525,000	261,464	3,786,464
2028	395,000		395,000
Total	<u>\$ 6,915,000</u>	<u>1,044,824</u>	<u>7,959,824</u>

This debt will be retired from the District Maintenance Fund.

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes, Series 2013	2.0-4.0%	12/30/2013	10/1/2031	\$ 9,870,000	8,820,000
2. Limited tax notes, Series 2014	2-3.63%	4/15/2014	10/1/2031	1,630,000	1,455,000
Total				<u>\$ 11,500,000</u>	<u>10,275,000</u>

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

LOWNDES COUNTY SCHOOL DISTRICT  
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1. Three mill notes payable issue of Series 2013:

Year Ending June 30	Principal	Interest	Total
2018	\$ 375,000	296,920	671,920
2019	385,000	289,320	674,320
2020	395,000	281,520	676,520
2021	400,000	271,570	671,570
2022	415,000	259,345	674,345
2023 – 2027	2,755,000	1,077,754	3,832,754
2028 – 2032	4,095,000	422,500	4,517,500
Total	<u>\$ 8,820,000</u>	<u>2,898,929</u>	<u>11,718,929</u>

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

2. Three mill notes payable issue of 2014:

Year Ending June 30	Principal	Interest	Total
2018	\$ 100,000	40,912	140,912
2019	100,000	38,912	138,912
2020	100,000	36,912	136,912
2021	100,000	34,912	134,912
2022	100,000	32,412	132,412
2023 – 2027	485,000	117,189	602,189
2028 – 2032	470,000	43,003	513,003
Total	<u>\$ 1,455,000</u>	<u>344,252</u>	<u>1,799,252</u>

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 475,000	337,832	812,832
2019	485,000	328,232	813,232
2020	495,000	318,432	813,432
2021	500,000	306,482	806,482
2022	515,000	291,757	806,757
2023 – 2027	3,240,000	1,194,943	4,434,943
2028 – 2032	4,565,000	465,503	5,030,503
Total	<u>\$ 10,275,000</u>	<u>3,243,181</u>	<u>13,518,181</u>

**D. Obligations under capital leases**

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



LOWNDES COUNTY SCHOOL DISTRICT  
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The option available to the lessee for this lease is to purchase the equipment or replace the product at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Capital Lease 1	1.23%	7/14/2014	7/15/2017	\$ 946,685	246,147
2. Capital Lease 2	1.65%	11/1/2015	11/1/2018	3,958,157	1,978,960
3. Capital Lease 3	1.10%	11/1/2015	11/1/2017	111,568	370,508
Total				<u>\$ 5,016,410</u>	<u>2,595,615</u>

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

1. Capital lease issue of 7/14/2014:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 246,147	1,945	248,092

This debt will be retired from the District Maintenance Fund.

2. Capital lease issue of 11/01/2015:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 984,068	21,769	1,005,837
2019	994,892	10,944	1,005,836
Total	<u>\$ 1,978,960</u>	<u>32,713</u>	<u>2,011,673</u>

This debt will be retired from the District Maintenance Fund.

3. Capital lease issue of 11/01/2015:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 370,508	4,096	374,604

This debt will be retired from the District Maintenance Fund.

LOWNDES COUNTY SCHOOL DISTRICT  
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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 and Maintenance Charges	Total
2018	\$ 1,600,723	27,810	1,628,533
2019	994,892	10,944	1,005,836
Total	<u>\$ 2,595,615</u>	<u>38,754</u>	<u>2,634,369</u>

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

**E. Qualified school construction bonds payable**

As more fully explained in Note 14, 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
Qualified School Construction Bonds	0.96%	12/17/2009	9/15/2024	<u>\$ 3,000,000</u>	<u>3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$	28,800	28,800
2019		28,800	28,800
2020		28,800	28,800
2021		28,800	28,800
2022		28,800	28,800
2023 - 2025	<u>3,000,000</u>	<u>86,400</u>	<u>3,086,400</u>
Total	<u>\$ 3,000,000</u>	<u>230,400</u>	<u>3,230,400</u>

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

The district will make annual payments to a sinking fund maintained by the paying agent (see Note 14). At the end of the term the amount available in the sinking fund will be sufficient to make the balloon payment on the debt.

**F. Compensated absences payable**

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

**Note 7 - Other Commitments**

Commitments under construction contracts are described in Note 5.

LOWNDES COUNTY SCHOOL DISTRICT  
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For Year Ended June 30, 2017

Operating leases:

The school district has several operating leases for the following:

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

Lease expenditures for the year ended June 30, 2017, amounted to \$309,175. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2018	\$ 270,040
2019	10,630
2020	3,513
Total	<u>\$ 284,183</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 \$4,066,929, \$4,410,660 and \$4,215,520, respectively, which equaled

LOWNDES COUNTY SCHOOL DISTRICT  
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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 \$78,193,795 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 entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was .437754 percent, which was based on a measurement date of June 30, 2016. This was an increase of .009334 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 \$12,847,359. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,554,301	0
Net difference between projected and actual earnings on pension plan investments	4,237,795	0
Changes of assumptions	2,626,962	148,076
Changes in proportion and differences between District contributions and proportionate share of contributions	1,495,758	0
District contributions subsequent to the measurement date	4,066,929	0
Total	\$ <u>13,981,745</u>	<u>148,076</u>

\$4,066,929 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	\$ 3,223,776
2019	3,223,776
2020	2,259,739
2021	1,059,449

*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

# LOWNDES COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2017

period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	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	\$ 100,261,977	78,193,795	59,884,358

*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.

LOWNDES COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 135,032
2019	133,229
2020	123,763
2021	116,653
2022	115,353
2023 – 2027	559,437
2028 – 2032	548,361
2033 – 2037	512,057
Thereafter	866,044
Total	<u>\$ 3,109,929</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
Error correction - restatement of a prior year asset	<u>\$ (4,481)</u>

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

Fund	Explanation	Amount
General Fund	Error correction - restatement of a prior year asset	<u>\$ (4,481)</u>

**Note 11 – Contingencies**

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

**Note 12 – Risk Management**

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

**Note 13 – Trust Certificates**

A trust agreement dated October 24, 2014, was executed by and between the Lowndes County School District and The Peoples Bank, as trustees.

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

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as

# LOWNDES COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2017

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

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

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

### Note 14 – 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. For the year ended June 30, 2017, the subsidy payments amounted to \$0.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,319,599. 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.

Year Ending June 30	Amount
2018	\$ 214,000
2019	214,000
2020	214,000
2021	214,000
2022	214,000
2023 – 2025	642,000
Total	<u>\$ 1,712,000</u>

### Note 15 – Alternative School Consortium

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

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an

**LOWNDES COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2017

alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

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

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

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

**Revenues**

Local sources:

Tuition from other LEA's within the state:

Noxubee School District

\$ 84,500

Total Revenues

84,500

**Expenditures**

Salaries

365,789

Employee benefits

138,545

Purchased professional and technical services

61,616

Other purchased services

2,393

Supplies

60,166

Property

5,793

Total Expenditures

634,302

Excess (Deficiency) of Revenues Over (Under) Expenditures

(549,802)

**Other Financing Sources/Uses:**

Operating Transfers In

551,147

Total Other Financing Sources/Uses

551,147

Net Change in Fund Balance

1,345

**Fund Balance:**

July 1, 2016

81,835

June 30, 2017

\$ 83,180

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$58,885,419) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

**Note 17 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through June 26, 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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LOWNDES 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	\$ 23,191,347	22,036,848	22,036,848	(1,154,499)	0
State sources	24,210,477	24,191,265	24,191,265	(19,212)	0
Federal sources	819,124	724,350	724,350	(94,774)	0
Sixteenth section sources	198,560	176,684	176,684	(21,876)	0
Total Revenues	<u>48,419,508</u>	<u>47,129,147</u>	<u>47,129,147</u>	<u>(1,290,361)</u>	<u>0</u>
Expenditures					
Instruction	26,671,859	25,695,474	25,695,474	976,385	0
Support services	17,834,414	16,305,159	16,305,159	1,529,255	0
Sixteenth section	95,227	61,503	61,503	33,724	0
Debt service					
Principal	2,160,384	2,125,146	2,125,146	35,238	0
Interest	228,090	292,384	292,384	(64,294)	0
Other		2,535	2,535	(2,535)	0
Total Expenditures	<u>46,989,974</u>	<u>44,482,201</u>	<u>44,482,201</u>	<u>2,507,773</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,429,534</u>	<u>2,646,946</u>	<u>2,646,946</u>	<u>1,217,412</u>	<u>0</u>
Other Financing Sources (Uses)					
Sale of other property	0	10,875	10,875	10,875	0
Operating transfers in	4,750,128	4,463,984	436,083	(286,144)	(4,027,901)
Payment to refunded bond escrow agent	(5,804,969)	(14,953,029)	(10,925,128)	(9,148,060)	4,027,901
Total Other Financing Sources (Uses)	<u>(1,054,841)</u>	<u>(10,478,170)</u>	<u>(10,478,170)</u>	<u>(9,423,329)</u>	<u>0</u>
Net Change in Fund Balances			<u>(7,831,224)</u>		
Fund Balances					
July 1, 2016, as previously reported			16,533,716		
Prior period adjustments			(4,481)		
July 1, 2016, as restated			<u>16,529,235</u>		
June 30, 2017			<u>\$ 8,698,011</u>		

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

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

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.437754%	0.428420%	0.406702%
District's proportionate share of the net pension liability (asset)	\$ 78,193,795	66,225,284	49,366,176
District's covered payroll	\$ 28,004,190	26,765,206	24,862,933
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.55%
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.

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

	2017	2016	2015
Contractually required contribution			
\$	4,066,929	4,410,660	4,215,520
Contributions in relation to the contractually required contribution			
	4,066,929	4,410,660	4,215,520
Contribution deficiency (excess)			
	0	0	0
District's covered payroll	25,821,771	28,004,190	26,765,206
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.

LOWNDES 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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LOWNDES 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
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 733,133
National school lunch program	10.555	2,151,263
Total child nutrition cluster		2,884,396
Child and adult care food program	10.558	8,163
Total passed-through Mississippi Department of Education		2,892,559
Total U.S. Department of Agriculture		2,892,559
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve officers' training corps	12.xxx	51,731
Total U.S. Department of Defense		51,731
<b><u>U.S. Department of Education</u></b>		
Direct programs:		
Impact aid	84.041	22,822
Total		22,822
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,045,352
Career and technical education - basic grants to states	84.048	48,871
Education for homeless children and youth	84.196	9,750
Rural education	84.358	115,919
Supporting effective instruction - state grants	84.367	219,502
Total		1,439,394
Special education cluster:		
Special education - grants to states	84.027	1,103,252
Special education - preschool grants	84.173	33,100
Total special education cluster		1,136,352
Total passed-through Mississippi Department of Education		2,575,746
Total U.S. Department of Education		2,598,568
Total for All Federal Awards		\$ 5,542,858

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

LOWNDES 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.

LOWNDES 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	\$ 37,797,179	30,283,736	996,656	2,926,341	3,590,446
Other	52,340,606	4,873,719	625,605	38,133	46,803,149
Total	<u>90,137,785</u>	<u>35,157,455</u>	<u>1,622,261</u>	<u>2,964,474</u>	<u>50,393,595</u>
Total number of students	<u>4,906</u>				
Cost per student	<u>\$ 18,373</u>	<u>7,166</u>	<u>331</u>	<u>604</u>	<u>10,272</u>

Notes to the schedule.

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

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

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

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

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

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## OTHER INFORMATION

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LOWNDES 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	\$ 22,036,848	22,036,717	22,010,457	21,968,644
Intermediate sources	0	0	0	31,475
State sources	24,191,265	23,749,066	21,938,057	20,101,254
Federal sources	724,350	505,665	832,984	653,399
Sixteenth section sources	176,684	362,736	153,530	0
Total Revenues	47,129,147	46,654,184	44,935,028	42,754,772
Expenditures				
Instruction	25,695,474	25,848,375	24,721,632	23,205,426
Support services	16,305,159	21,516,229	16,936,353	15,254,098
Sixteenth section	61,503	66,641	0	0
Facilities acquisition and construction	0	32,026	0	0
Debt service				
Principal	2,125,146	2,161,632	213,714	0
Interest	292,384	250,030	112,853	0
Other	2,535	1,353	0	0
Total Expenditures	44,482,201	49,876,286	41,984,552	38,459,524
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,646,946	(3,222,102)	2,950,476	4,295,248
Other Financing Sources (Uses)				
Inception of capital leases	0	5,069,725	946,685	0
Insurance loss recoveries	0	66,874	3,306	0
Sale of other property	10,875	0	0	0
Operating transfers in	436,083	207,803	254,893	73,316
Operating transfers out	(10,925,128)	(1,333,334)	(1,212,592)	(10,207,650)
Total Other Financing Sources (Uses)	(10,478,170)	4,011,068	(7,708)	(10,134,334)
Net Change in Fund Balances	(7,831,224)	788,966	2,942,768	(5,839,086)
Fund Balances:				
Beginning of period, as previously reported	16,533,716	15,744,750	8,559,253	14,398,339
Prior period adjustments	(4,481)	0	0	0
Fund reclassification	0	0	4,242,729	0
Beginning of period, as restated	16,529,235	15,744,750	12,801,982	14,398,339
End of period	\$ 8,698,011	16,533,716	15,744,750	8,559,253

\* Source - Prior year audit reports.

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

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 23,583,909	23,986,055	23,287,008	23,585,980
Intermediate sources	0	0	0	31,475
State sources	24,902,635	24,413,031	22,576,972	21,545,489
Federal sources	5,217,270	4,905,802	5,137,226	5,219,957
Sixteenth section sources	179,773	386,965	153,580	256,113
Total Revenues	53,883,587	53,691,853	51,154,786	50,639,014
Expenditures				
Instruction	30,829,105	28,817,818	27,673,068	25,837,500
Support services	20,223,070	24,007,639	18,603,312	16,993,314
Noninstructional services	2,861,802	2,022,404	1,943,768	2,106,804
Sixteenth section	83,964	85,347	21,227	77,090
Facilities acquisition and construction	29,807,798	19,655,708	6,104,379	2,834,007
Debt service				
Principal	3,475,146	2,601,632	1,323,714	5,960,000
Interest	2,842,524	635,213	518,689	490,089
Other	14,376	624,335	7,775	3,200
Total Expenditures	90,137,785	78,450,096	56,195,932	54,302,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,254,198)	(24,758,243)	(5,041,146)	(3,662,990)
Other Financing Sources (Uses)				
Bonds and notes issued	0	44,000,000	0	11,500,000
Other long term debt issued	0	0	7,995,000	0
Inception of capital leases	0	5,069,725	946,685	0
Premium on bonds	0	1,775,268	120,450	0
Insurance loss recoveries	0	66,874	3,306	0
Sale of other property	10,875	0	0	0
Operating transfers in	51,035,349	21,476,410	1,679,360	10,770,577
Other financing sources	32,000	0	0	0
Payment held by QSCB escrow agent	214,000	214,000	215,000	214,993
Operating transfers out	(51,035,349)	(21,476,410)	(1,679,360)	(10,770,577)
Payment to QSCB debt escrow agent	(214,000)	(214,000)	(215,000)	(214,993)
Total Other Financing Sources (Uses)	42,875	50,911,867	9,065,441	11,500,000
Net Change in Fund Balances	(36,211,323)	26,153,624	4,024,295	7,837,010
Fund Balances:				
Beginning of period, as previously reported	64,897,383	38,740,604	34,740,983	26,879,960
Prior period adjustments	(4,481)	194	0	0
Beginning of period, as restated	64,892,902	38,740,798	34,740,983	26,879,960
Increase (Decrease) in reserve for inventory	(45,314)	2,961	(24,674)	24,013
End of period	\$ 28,636,265	64,897,383	38,740,604	34,740,983

\* Source - Prior year audit reports.



## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS, CPA, LLC

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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  
Lowndes 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 Lowndes County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Lowndes County School District's basic financial statements, and have issued my report thereon dated June 26, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Lowndes 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 Lowndes County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Lowndes 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 Lowndes 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  
June 26, 2018

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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  
Lowndes County School District

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

I have audited Lowndes County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lowndes County School District's major federal programs for the year ended June 30, 2017. Lowndes 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 Lowndes 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 Lowndes 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 Lowndes County School District's compliance.

#### ***Opinion on Each Major Federal Program***

In my opinion, Lowndes County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of Lowndes County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Lowndes County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Lowndes County School District's internal control over compliance.

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

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

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

*Charles L Shivers*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
June 26, 2018

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

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

Superintendent and School Board  
Lowndes County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2017, which collectively comprise Lowndes County School District's basic financial statements and have issued my report thereon dated June 26, 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  
June 26, 2018

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LOWNDES COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended 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:   |               |
|    | Special education cluster  |               |
|    | CFDA #: 84.027   |               |
|    | CFDA#: 84.173  |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs:                         | \$750,000     |
| 9. | Auditee qualified as a low-risk auditee?   | Yes           |

**Section II: Financial Statement Findings**

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

**Section III: Federal Award Findings and Questioned Costs**

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

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## SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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Dr. Robin Ballard  
Deputy Superintendent



Dr. Susan Johnson  
Assistant Superintendent  
Special Education Director

Percy Lee  
Vocational and Tech Prep Director

Kenneth Hughes  
Business Officer/Administrator

**LOWNDES COUNTY**  
*School District*  
CALEDONIA • NEW HOPE • WEST LOWNDES • CAREER TECH  
1053 Hwy 45 South – Columbus, MS 39701  
(662) 244-5000 – Fax (662) 244-5043

Lynn Wright  
Superintendent

Mia Johnson  
Child Nutrition Director

Veronica Hill  
Personnel Director

*“Challenge all students to attain their greatest potential.”*

### Summary Schedule of Prior Audit Findings

June 26, 2018

#### Financial and Compliance Audit Division

As required by 2 CFR 200.511(b), the Lowndes County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2017.

<u>Finding</u>	<u>Status</u>
2016 - 001	Corrected
2016 - 002	Corrected
2016 - 003	Corrected

Sincerely,

Superintendent of Education

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