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LUMBERTON PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017

St. Clair CPA, PLLC  
Carriere, MS

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TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	7
BASIC FINANCIAL STATEMENTS.....	17
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	19
Exhibit B Statement of Activities.....	20
Governmental Funds Financial Statements	
Exhibit C Balance Sheet – Governmental Funds.....	21
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	22
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	24
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Assets and Liabilities .....	25
Notes to the Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION.....	41
Budgetary Comparison Schedule for the General Fund.....	43
Budgetary Comparison Schedule for the Major Special Revenue Fund – Title I-A Basic Fund.....	44
Budgetary Comparison Schedule for the Major Special Revenue Fund – EHA Part B Fund .....	45
Schedule of the District’s Proportionate Share of the Net Pension Liability.....	46
Schedule of District Contributions.....	47
Notes to the Required Supplementary Information.....	48
SUPPLEMENTARY INFORMATION.....	49
Schedule of Expenditures of Federal Awards.....	51
Notes to the Schedule of Expenditures of Federal Awards.....	52
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	53
OTHER INFORMATION.....	55
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years.....	57
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	58
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	59
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 <i>Government Auditing Standards</i> ...	61
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	69
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS.....	75

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INDEPENDENT AUDITOR'S REPORT

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR’S REPORT**

Superintendent and School Board  
Lumberton Public 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 Lumberton Public School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lumberton Public 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.

***Summary of Opinions***

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – Title I-A Basic Fund	Unmodified
Major Fund – EHA Part B Fund	Unmodified
Major Fund – Sixteenth Section Principal Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

### ***Basis for Qualified Opinion on Aggregate Remaining Fund Information***

Due to the timing of the audit engagement, I was unable to observe the counting of the physical inventories included in the Aggregate Remaining Fund Information. Furthermore, I was unable to apply other appropriate procedures to establish the existence of the inventories. The possible effects on the Aggregate Remaining Fund Information of undetected misstatements, if any, could be material but not pervasive.

### ***Qualified Opinion***

In my opinion, except for the possible effects of the matter described in the “Basis of Qualified Opinion on Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Lumberton Public School District, as of June 30, 2017, and the changes in financial position of the Aggregate Remaining Fund Information thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lumberton Public 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 Lumberton Public 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 May 8, 2018, on my consideration of the Lumberton Public 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 Lumberton Public 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 Lumberton Public School District's internal control over financial reporting and compliance.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
May 8, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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LUMBERTON PUBLIC SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2017

The following discussion and analysis of Lumberton Public 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 \$1,290,670, which represents a 46% decrease from fiscal year 2016. Total net position for 2016 decreased \$309,694, including a prior period adjustment of \$7,797, which represents a 10% decrease from fiscal year 2015.
- General revenues amounted to \$5,025,594 and \$5,167,567, or 81% and 81% 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 \$1,210,034, or 19% of total revenues for 2017, and \$1,225,165, or 19% of total revenues for 2016.
- The District had \$7,526,298 and \$6,710,223 in expenses for fiscal years 2017 and 2016; only \$1,210,034 for 2017 and \$1,225,165 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$5,025,594 for 2017 and \$5,167,567 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,773,761 in revenues and \$5,460,632 in expenditures for 2017, and \$4,925,803 in revenues and \$4,905,037 in expenditures in 2016. The General Fund's fund balance decreased by \$945,757 from 2016 to 2017, and decreased by \$68,068 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$168,032 for 2017 and decreased by \$88,233 for 2016. The increase for 2017 was due primarily to the completion of building improvements and the purchase of various items of mobile equipment during the fiscal year.
- Long-term debt decreased by \$198,447 for 2017 and decreased by \$182,919 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,447 for 2017 and decreased by \$2,919 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.

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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

### Supplementary Information

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

### Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,525,743 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	\$ 4,665,832	\$ 6,069,528	(23.13) %
Restricted assets	1,367,874	859,042	59.23 %
Capital assets, net	4,555,326	4,387,294	3.83 %
<b>Total assets</b>	<b>10,589,032</b>	<b>11,315,864</b>	<b>(6.42) %</b>
<b>Deferred outflows of resources</b>	<b>1,595,285</b>	<b>2,058,669</b>	<b>(22.51) %</b>
Current liabilities	39,163	102,975	(61.97) %
Long-term debt outstanding	712,589	911,036	(21.78) %
Net pension liability	9,568,582	8,688,648	10.13 %
<b>Total liabilities</b>	<b>10,320,334</b>	<b>9,702,659</b>	<b>6.37 %</b>
<b>Deferred inflows of resources</b>	<b>338,240</b>	<b>855,461</b>	<b>(60.46) %</b>
<b>Net position:</b>			
Net investment in capital assets	3,872,326	3,514,294	10.19 %
Restricted	1,971,456	1,856,751	6.18 %
Unrestricted	(4,318,039)	(2,554,632)	(69.03) %
<b>Total net position</b>	<b>\$ 1,525,743</b>	<b>\$ 2,816,413</b>	<b>(45.83) %</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)	\$ (4,318,039)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>8,311,537</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,993,498</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 \$168,032.
- The principal retirement of \$190,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$9,568,582.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$6,235,628 and \$6,392,732, respectively. The total cost of all programs and services was \$7,526,298 for 2017 and \$6,710,223 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**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 134,831	\$ 110,425	22.10 %
Operating grants and contributions	1,075,203	1,114,740	(3.55) %
General revenues:			
Property taxes	1,676,115	1,594,144	5.14 %
Grants and contributions not restricted	3,133,550	3,313,565	(5.43) %
Investment earnings	30,932	18,142	70.50 %
Sixteenth section sources	134,018	160,571	(16.54) %
Other	50,979	81,145	(37.18) %
<b>Total revenues</b>	<u><b>6,235,628</b></u>	<u><b>6,392,732</b></u>	<b>(2.46) %</b>
<b>Expenses:</b>			
Instruction	3,356,568	3,143,713	6.77 %
Support services	2,363,731	2,278,610	3.74 %
Non-instructional	365,920	405,927	(9.86) %
Sixteenth section	5,371	7,183	(25.23) %
Pension expense	1,391,141	819,064	69.85 %
Interest on long-term liabilities	43,567	55,726	(21.82) %
<b>Total expenses</b>	<u><b>7,526,298</b></u>	<u><b>6,710,223</b></u>	<b>12.16 %</b>
<b>Increase (Decrease) in net position</b>	<u><b>(1,290,670)</b></u>	<u><b>(317,491)</b></u>	<b>(306.52) %</b>
<b>Net Position, July 1, as previously reported</b>	<u><b>2,816,413</b></u>	<u><b>3,126,107</b></u>	<b>(9.91) %</b>
<b>Prior Period Adjustment</b>	<u><b>0</b></u>	<u><b>7,797</b></u>	<b>(100.00) %</b>
<b>Net Position, July 1, as restated</b>	<u><b>2,816,413</b></u>	<u><b>3,133,904</b></u>	<b>(10.13) %</b>
<b>Net Position, June 30</b>	<u><b>\$ 1,525,743</b></u>	<u><b>\$ 2,816,413</b></u>	<b>(45.83) %</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**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ 3,356,568	\$ 3,143,713	6.77 %
Support services	2,363,731	2,278,610	3.74 %
Non-instructional	365,920	405,927	(9.86) %
Sixteenth section	5,371	7,183	(25.23) %
Pension Expense	1,391,141	819,064	69.85 %
Interest on long-term liabilities	43,567	55,726	(21.82) %
<b>Total expenses</b>	<b>\$ 7,526,298</b>	<b>\$ 6,710,223</b>	<b>12.16 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ (2,982,559)	\$ (2,705,112)	10.26 %
Support services	(1,960,229)	(1,892,052)	3.60 %
Non-instructional	54,727	(26,089)	(309.77) %
Sixteenth section	6,505	12,985	(49.90) %
Pension Expense	(1,391,141)	(819,064)	69.85 %
Interest on long-term liabilities	(43,567)	(55,726)	(21.82) %
<b>Total net (expense) revenue</b>	<b>\$ (6,316,264)</b>	<b>\$ (5,485,058)</b>	<b>15.15 %</b>

- Net cost of governmental activities (\$6,316,264 for 2017 and \$5,485,058 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$1,676,115 for 2017 and \$1,594,144 for 2016) and state and federal revenues (\$3,133,550 for 2017 and \$3,313,565 for 2016). In addition, there was \$134,018 and \$160,571 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$30,932 for 2017 and \$18,142 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 \$6,000,415, a decrease of \$832,901, which includes an increase in inventory of \$5,735. \$2,299,305, or 38% 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 \$3,701,110 or 62% 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 \$945,757. The fund balance of Other Governmental Funds showed an increase in the amount of \$61,987, which includes an increase in reserve for inventory of \$5,735. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
EHA Part B Fund	\$ (50)
Sixteenth Section Principal Fund	\$ 50,919

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$8,562,961, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$384,561 from 2016, due primarily to the completion of building improvements and the purchase of various items of mobile equipment. Total accumulated depreciation as of June 30, 2017, was \$4,007,635, and total depreciation expense for the year was \$222,808, resulting in total net capital assets of \$4,555,326.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 53,382	\$ 53,382	0.00 %
Construction in Progress	0	107,584	(100.00) %
Buildings	3,161,310	3,259,012	(3.00) %
Building improvements	310,020	0	N/A %
Improvements other than buildings	556,126	604,018	(7.93) %
Mobile equipment	467,376	354,468	31.85 %
Furniture and equipment	7,112	8,830	(19.46) %
<b>Total</b>	<b>\$ 4,555,326</b>	<b>\$ 4,387,294</b>	<b>3.83 %</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 \$712,589 in outstanding long-term debt, of which \$324,479 is due within one year. During the fiscal year, the District made principal payments totaling \$190,000 on outstanding long-term debt. The liability for compensated absences decreased \$8,447 from the prior year.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	263,000	393,000	(33.08) %
Three mill notes payable	420,000	480,000	(12.50) %
Compensated absences payable	29,589	38,036	(22.21) %
<b>Total</b>	<b>\$ 712,589</b>	<b>\$ 911,036</b>	<b>(21.78) %</b>

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

## CURRENT ISSUES

The Lumberton Public School District is financially stable. The District is proud of its community support of the public schools.

The District is committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal 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 Lumberton Public School District, P.O. Box 551, Lumberton, MS 39455.

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## BASIC FINANCIAL STATEMENTS

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LUMBERTON PUBLIC SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,302,515
Due from other governments	338,253
Inventories	25,064
Restricted assets (Note 4)	1,367,874
Non-depreciable capital assets (Note 5)	53,382
Depreciable capital assets, net (Note 5)	4,501,944
<b>Total Assets</b>	<u>10,589,032</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	1,595,285
<b>Total Deferred Outflows of Resources</b>	<u>1,595,285</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	31,430
Due to other governments	1,861
Interest payable on long-term liabilities	5,872
<b>Long-term liabilities (Due within one year) (Note 6)</b>	
Capital related liabilities	323,000
Non-capital related liabilities	1,479
<b>Long-term liabilities (Due beyond one year) (Note 6)</b>	
Capital related liabilities	360,000
Non-capital related liabilities	28,110
Net pension liability (Note 7)	9,568,582
<b>Total Liabilities</b>	<u>10,320,334</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	338,240
<b>Total Deferred Inflows of Resources</b>	<u>338,240</u>
<b>Net Position</b>	
Net investment in capital assets	3,872,326
Restricted net position	
Expendable	
School-based activities	162,764
Debt service	295,707
Forestry improvements	126,727
Unemployment benefits	21,401
Non-expendable	
Sixteenth section	1,364,857
Unrestricted	<u>(4,318,039)</u>
<b>Total Net Position</b>	<u>\$ 1,525,743</u>

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2017

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 3,356,568	53,560	320,449	(2,982,559)
Support services	2,363,731	21,417	382,085	(1,960,229)
Non-instructional	365,920	47,978	372,669	54,727
Sixteenth section	5,371	11,876		6,505
Pension expense	1,391,141			(1,391,141)
Interest on long-term liabilities	43,567			(43,567)
Total Governmental Activities	<u>7,526,298</u>	<u>134,831</u>	<u>1,075,203</u>	<u>(6,316,264)</u>
General Revenues				
Taxes				
General purpose levies				1,577,668
Debt purpose levies				98,447
Unrestricted grants and contributions				
State				3,117,156
Federal				16,394
Unrestricted investment earnings				30,932
Sixteenth section sources				134,018
Other				50,979
Total General Revenues				<u>5,025,594</u>
Changes in Net Position				<u>(1,290,670)</u>
Net Position - Beginning				<u>2,816,413</u>
Net Position - Ending				<u>\$ 1,525,743</u>

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2017

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	EHA Part B Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 4,302,515		467	875,239	420,341	5,598,562
Cash with fiscal agent (Note 2)					71,827	71,827
Due from other governments	29,784	92,147	102,350	2,354	110,281	336,916
Due from other funds (Note 3)	201,060					201,060
Advances to other funds (Note 3)				487,264		487,264
Inventories					25,064	25,064
<b>Total Assets</b>	<b>4,533,359</b>	<b>92,147</b>	<b>102,817</b>	<b>1,364,857</b>	<b>627,513</b>	<b>6,720,693</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	21,147	8,425			1,858	31,430
Due to other funds (Note 3)	1,861	83,722	102,817		13,184	201,584
Advances from other funds (Note 3)	487,264					487,264
<b>Total Liabilities</b>	<b>510,272</b>	<b>92,147</b>	<b>102,817</b>	<b>0</b>	<b>15,042</b>	<b>720,278</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventory					25,064	25,064
Permanent fund principal				877,593		877,593
Advances				487,264		487,264
<b>Restricted</b>						
Debt service					301,579	301,579
Forestry improvements					126,727	126,727
Unemployment benefits					21,401	21,401
Grant activities					137,700	137,700
<b>Assigned</b>						
Renovations and improvements	1,630,263					1,630,263
School activities	93,519					93,519
Unassigned	2,299,305					2,299,305
<b>Total Fund Balances</b>	<b>4,023,087</b>	<b>0</b>	<b>0</b>	<b>1,364,857</b>	<b>612,471</b>	<b>6,000,415</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,533,359</b>	<b>92,147</b>	<b>102,817</b>	<b>1,364,857</b>	<b>627,513</b>	<b>6,720,693</b>

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

LUMBERTON PUBLIC 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	\$ 6,000,415
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>	
Land	53,382
Buildings	5,278,031
Building improvements	322,937
Improvement other than buildings	1,250,631
Mobile equipment	1,205,574
Furniture and equipment	452,406
Accumulated depreciation	<u>(4,007,635)</u>
	4,555,326
<p>Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:</p>	
Net pension liability	(9,568,582)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:</p>	
Deferred outflows of resources related to pensions	1,595,285
Deferred inflows of resources related to pensions	<u>(338,240)</u>
	1,257,045
<p>Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:</p>	
General obligation bonds	(263,000)
Notes payable	(420,000)
Compensated absences	(29,589)
Accrued interest payable	<u>(5,872)</u>
	<u>(718,461)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,525,743</u></u>

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

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

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund	EHA Part B Fund	Sixteenth Section Principal Fund		
Revenues						
Local sources	\$ 1,704,024				145,665	1,849,689
State sources	2,960,991				245,488	3,206,479
Federal sources	16,394	415,324	162,817		407,740	1,002,275
Sixteenth section sources	92,352			50,919	12,447	155,718
Total Revenues	<u>4,773,761</u>	<u>415,324</u>	<u>162,817</u>	<u>50,919</u>	<u>811,340</u>	<u>6,214,161</u>
Expenditures						
Instruction	3,223,795	178,417	61,966		98,628	3,562,806
Support services	2,211,679	236,907	100,901		85,797	2,635,284
Noninstructional services	3,913				416,121	420,034
Sixteenth section	1,054				4,317	5,371
Facilities acquisition and construction					215,353	215,353
Debt service						
Principal (Note 6)					190,000	190,000
Interest	20,191				23,875	44,066
Other					1,350	1,350
Total Expenditures	<u>5,460,632</u>	<u>415,324</u>	<u>162,867</u>	<u>0</u>	<u>1,035,441</u>	<u>7,074,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(686,871)</u>	<u>0</u>	<u>(50)</u>	<u>50,919</u>	<u>(224,101)</u>	<u>(860,103)</u>
Other Financing Sources (Uses)						
Insurances loss recoveries (Note 11)	21,417					21,417
Operating transfers in (Note 3)					280,353	280,353
Other financing sources	50					50
Operating transfers out (Note 3)	(280,353)					(280,353)
Total Other Financing Sources (Uses)	<u>(258,886)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>280,353</u>	<u>21,467</u>
Net Change in Fund Balances	<u>(945,757)</u>	<u>0</u>	<u>(50)</u>	<u>50,919</u>	<u>56,252</u>	<u>(838,636)</u>
Fund Balances						
July 1, 2016	<u>4,968,844</u>	<u>0</u>	<u>50</u>	<u>1,313,938</u>	<u>550,484</u>	<u>6,833,316</u>
Increase (Decrease) in reserve for inventory	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,735</u>	<u>5,735</u>
June 30, 2017	<u>\$ 4,023,087</u>	<u>0</u>	<u>0</u>	<u>1,364,857</u>	<u>612,471</u>	<u>6,000,415</u>

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

LUMBERTON PUBLIC 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	\$ (838,636)

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	390,903	
Depreciation expense	<u>(222,808)</u>	168,095

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.

(63)

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	190,000	
Accrued interest payable	<u>1,849</u>	191,849

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	565,044	
Pension expense for the current year	<u>(1,391,141)</u>	(826,097)

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	8,447	
Change in inventory reserve	<u>5,735</u>	<u>14,182</u>

Changes in Net Position of Governmental Activities	<u>\$ (1,290,670)</u>
--	-----------------------

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2017

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 286,866
Due from other funds (Note 3)	<u>1,861</u>
Total Assets	<u><u>288,727</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	287,390
Due to other funds (Note 3)	<u>1,337</u>
Total Liabilities	<u><u>\$ 288,727</u></u>

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

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LUMBERTON PUBLIC 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 Lumberton Public 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:

LUMBERTON PUBLIC 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.

Title I-A Basic Fund - This Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with providing supplemental educational service to students.

EHA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

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

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

The 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.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless 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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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 Lumberton Public School District boundaries contain property in both Lamar County and Pearl River County, both counties levy taxes on behalf of the school district. Since 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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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.

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.

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

See Note 1(E)(10) for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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 Lumberton Public School District to maintain a minimum unassigned fund balance in the General Fund that is not less than 5% of total revenues.

**Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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 \$ 5,598,562 and \$286,866, 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 \$71,827.

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - Title I-A Basic Fund	\$ 83,722
	Major Fund - EHA Part B Fund	102,817
	Other Governmental Funds	13,184
	Fiduciary Funds	1,337
Fiduciary Funds	General Fund	1,861
Total		<u>\$ 202,921</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.

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
Major Fund - Sixteenth Section Principal Fund	General Fund	\$ 487,264
Total		<u>\$ 487,264</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 33,450	18,881	52,331
2019	34,812	17,519	52,331
2020	36,230	16,100	52,330
2021	37,706	14,624	52,330
2022	39,243	13,089	52,332
2023 - 2027	157,777	42,527	200,304
2028 - 2032	86,926	21,351	108,277
2033 - 2035	61,120	3,843	64,963
Total	<u>\$ 487,264</u>	<u>147,934</u>	<u>635,198</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 280,533
Total		<u>\$ 280,533</u>

The transfer out of the General Fund was for the purpose of funding the Vocational program and construction projects in the Other Governmental Funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent balance of the MAEP Limited Obligation Bond/Note Fund of \$71,827 which is 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 \$1,296,047 of the Sixteenth Section Principal Fund (Permanent Fund) and 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:

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 53,382				53,382
Construction-in-progress	107,584	215,353		(322,937)	0
Total non-depreciable capital assets	<u>160,966</u>	<u>215,353</u>	<u>0</u>	<u>(322,937)</u>	<u>53,382</u>
<u>Depreciable capital assets:</u>					
Buildings	5,278,031				5,278,031
Building improvements				322,937	322,937
Improvements other than buildings	1,250,631				1,250,631
Mobile equipment	1,030,024	175,550			1,205,574
Furniture and equipment	458,748		(6,342)		452,406
Total depreciable capital assets	<u>8,017,434</u>	<u>175,550</u>	<u>(6,342)</u>	<u>322,937</u>	<u>8,509,579</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,019,019	97,702			2,116,721
Building improvements		12,917			12,917
Improvements other than buildings	646,613	47,892			694,505
Mobile equipment	675,556	62,642			738,198
Furniture and equipment	449,918	1,655	(6,279)		445,294
Total accumulated depreciation	<u>3,791,106</u>	<u>222,808</u>	<u>(6,279)</u>	<u>0</u>	<u>4,007,635</u>
Total depreciable capital assets, net	<u>4,226,328</u>	<u>(47,258)</u>	<u>(63)</u>	<u>322,937</u>	<u>4,501,944</u>
Governmental activities capital assets, net	<u>\$ 4,387,294</u>	<u>168,095</u>	<u>(63)</u>	<u>0</u>	<u>4,555,326</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 138,702
Support services	75,559
Non-instructional	8,547
Total depreciation expense - Governmental activities	<u>\$ 222,808</u>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 393,000		130,000	263,000	263,000
B. Three mill notes payable	480,000		60,000	420,000	60,000
C. Compensated absences payable	38,036		8,447	29,589	1,479
Total	<u>\$ 911,036</u>	<u>0</u>	<u>198,447</u>	<u>712,589</u>	<u>324,479</u>

**A. Limited obligation bonds payable**

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2011	2.67%	6/10/2011	2/1/2018	\$ 938,000	\$ 263,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 263,000	5,287	268,287

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

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

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity	Amount	Amount
Limited Tax Notes, Series 2003	4.30%	5/1/2003	5/1/2023	\$ 1,000,000	420,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 60,000	17,792	77,792
2019	65,000	15,272	80,272
2020	70,000	12,542	82,542
2021	70,000	9,602	79,602
2022	75,000	6,628	81,628
2023	80,000	3,440	83,440
Total	\$ 420,000	65,276	485,276

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

**C. Compensated absences payable**

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

**Note 7 – 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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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 \$565,044, \$539,737 and \$553,065, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$9,568,582 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 .053568 percent, which was based on a measurement date of June 30, 2016. This was a decrease of .002640 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 \$1,391,141. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 190,200	
Net difference between projected and actual earnings on pension plan investments	518,579	
Changes of assumptions	321,462	18,120

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

Changes in proportion and differences between District contributions and proportionate share of contributions		320,120
District contributions subsequent to the measurement date		565,044
Total	\$	1,595,285
		338,240

\$565,044 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	\$ 213,502
2019	213,502
2020	135,352
2021	129,645

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 12,269,068	9,568,582	7,328,055

*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 8 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2018	\$	19,542
2019		16,004
2020		16,004
2021		16,004
2022		3,855
2023 – 2027		11,511
2028 – 2032		12,639
2033 – 2036		24,426
Total	\$	119,985

**Note 9 – 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 10 – 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. Except as described below, 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.

LUMBERTON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

Participation in Public Entity Risk Pool

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

**Note 11 - Insurance loss recoveries**

The Lumberton Public School District received \$21,417 in insurance loss recoveries related to vandalism damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 21,417	100%	Instruction

**Note 12 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$4,318,039) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

**Note 13 - 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 May 8, 2018, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

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

REQUIRED SUPPLEMENTARY INFORMATION

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LUMBERTON PUBLIC 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
<b>Revenues</b>					
Local sources	\$ 1,527,743	1,731,919	1,704,024	204,176	(27,895)
State sources	3,011,015	2,957,159	2,960,991	(53,856)	3,832
Federal sources	28,591	16,394	16,394	(12,197)	0
Sixteenth section sources	48,525	92,352	92,352	43,827	0
<b>Total Revenues</b>	<b>4,615,874</b>	<b>4,797,824</b>	<b>4,773,761</b>	<b>181,950</b>	<b>(24,063)</b>
<b>Expenditures</b>					
Instruction	3,226,686	3,201,994	3,223,795	24,692	(21,801)
Support services	2,204,843	2,211,679	2,211,679	(6,836)	0
Noninstructional services	0	3,913	3,913	(3,913)	0
Sixteenth section	0	1,054	1,054	(1,054)	0
Debt service					
Principal	32,140	32,140	0	0	32,140
Interest	20,191	20,191	20,191	0	0
<b>Total Expenditures</b>	<b>5,483,860</b>	<b>5,470,971</b>	<b>5,460,632</b>	<b>12,889</b>	<b>10,339</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(867,986)</b>	<b>(673,147)</b>	<b>(686,871)</b>	<b>194,839</b>	<b>(13,724)</b>
<b>Other Financing Sources (Uses)</b>					
Insurance loss recoveries	0	21,417	21,417	21,417	0
Operating transfers in	1,300,141	1,559,285	0	259,144	(1,559,285)
Other financing sources	0	50	50	50	0
Operating transfers out	(1,340,019)	(1,839,638)	(280,353)	(499,619)	1,559,285
<b>Total Other Financing Sources (Uses)</b>	<b>(39,878)</b>	<b>(258,886)</b>	<b>(258,886)</b>	<b>(219,008)</b>	<b>0</b>
<b>Net Change in Fund Balances</b>			<b>(945,757)</b>		
<b>Fund Balances</b>					
July 1, 2016			<u>4,968,844</u>		
June 30, 2017			<u>\$ 4,023,087</u>		

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

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 414,689	414,689	415,324	0	635
Total Revenues	<u>414,689</u>	<u>414,689</u>	<u>415,324</u>	<u>0</u>	<u>635</u>
Expenditures					
Instruction	174,115	270,669	178,417	(96,554)	92,252
Support services	0	262,799	236,907	(262,799)	25,892
Total Expenditures	<u>174,115</u>	<u>533,468</u>	<u>415,324</u>	<u>(359,353)</u>	<u>118,144</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>240,574</u>	<u>(118,779)</u>	<u>0</u>	<u>(359,353)</u>	<u>118,779</u>
Other Financing Sources (Uses)					
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 205,243	205,243	162,817	0	(42,426)
Total Revenues	<u>205,243</u>	<u>205,243</u>	<u>162,817</u>	<u>0</u>	<u>(42,426)</u>
Expenditures					
Instruction	77,127	85,072	61,966	(7,945)	23,106
Support services	0	96,103	100,901	(96,103)	(4,798)
Noninstructional services	0	1,000	0	(1,000)	1,000
Total Expenditures	<u>77,127</u>	<u>182,175</u>	<u>162,867</u>	<u>(105,048)</u>	<u>19,308</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>128,116</u>	<u>23,068</u>	<u>(50)</u>	<u>(105,048)</u>	<u>(23,118)</u>
Other Financing Sources (Uses)					
Operating transfers out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances			<u>(50)</u>		
Fund Balances					
July 1, 2016			<u>50</u>		
June 30, 2017			<u>\$ 0</u>		

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.053568%	0.056208%	0.057273%
District's proportionate share of the net pension liability (asset)	<u>\$ 9,568,582</u>	<u>8,688,648</u>	<u>6,951,894</u>
District's covered payroll	<u>\$ 3,426,902</u>	<u>3,511,524</u>	<u>3,501,276</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>279.22%</u>	<u>247.43%</u>	<u>198.55%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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

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

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

LUMBERTON PUBLIC SCHOOL DISTRICT  
 Schedule of District Contributions  
 PERS  
 Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 565,044	539,737	553,065
Contributions in relation to the contractually required contribution	565,044	539,737	553,065
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	3,587,581	3,426,902	3,511,524
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.

LUMBERTON PUBLIC 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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LUMBERTON PUBLIC 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	\$ 158,419
National school lunch program	10.555	257,702
Total child nutrition cluster		<u>416,121</u>
Total passed-through Mississippi Department of Education		<u>416,121</u>
Total U.S. Department of Agriculture		<u>416,121</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	415,324
Supporting effective instruction - state grants	84.367	22,699
Total		<u>438,023</u>
Special education cluster:		
Special education - grants to states	84.027	162,867
Special education - preschool grants	84.173	7,562
Total special education cluster		<u>170,429</u>
Total passed-through Mississippi Department of Education		<u>608,452</u>
Total U.S. Department of Education		<u>608,452</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	4,809
Total passed-through Mississippi Department of Education		<u>4,809</u>
Total U.S. Department of Health and Human Services		<u>4,809</u>
Total for All Federal Awards		<u>\$ 1,029,382</u>

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

LUMBERTON PUBLIC 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.

LUMBERTON PUBLIC 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	\$ 4,874,618	3,553,884	404,228	289,303	627,203
Other	2,199,646	645,657	121,113	12,818	1,420,058
Total	<u>7,074,264</u>	<u>4,199,541</u>	<u>525,341</u>	<u>302,121</u>	<u>2,047,261</u>
Total number of students	<u>498</u>				
Cost per student	<u>\$ 14,205</u>	<u>8,433</u>	<u>1,055</u>	<u>606</u>	<u>4,111</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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LUMBERTON PUBLIC SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
<b>Revenues</b>				
Local sources	\$ 1,704,024	1,629,542	1,413,913	1,370,782
State sources	2,960,991	3,132,628	3,231,683	3,037,561
Federal sources	16,394	26,183	32,775	44,289
Sixteenth section sources	92,352	137,450	26,571	0
<b>Total Revenues</b>	<b>4,773,761</b>	<b>4,925,803</b>	<b>4,704,942</b>	<b>4,452,632</b>
<b>Expenditures</b>				
Instruction	3,223,795	2,906,220	2,975,135	3,017,181
Support services	2,211,679	1,975,595	2,028,150	1,881,667
Noninstructional services	3,913	420	0	0
Sixteenth section	1,054	1,353	57	0
Facilities acquisition and construction	0	0	2,311	3,750
Debt service				
Interest	20,191	21,449	0	0
<b>Total Expenditures</b>	<b>5,460,632</b>	<b>4,905,037</b>	<b>5,005,653</b>	<b>4,902,598</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(686,871)</b>	<b>20,766</b>	<b>(300,711)</b>	<b>(449,966)</b>
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries	21,417	0	0	32,784
Operating transfers in	0	1,825	6,778	0
Other financing sources	50	0	0	0
Operating transfers out	(280,353)	(90,659)	(640,507)	(51,905)
<b>Total Other Financing Sources (Uses)</b>	<b>(258,886)</b>	<b>(88,834)</b>	<b>(633,729)</b>	<b>(19,121)</b>
<b>Net Change in Fund Balances</b>	<b>(945,757)</b>	<b>(68,068)</b>	<b>(934,440)</b>	<b>(469,087)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,968,844	5,036,912	5,089,748	5,558,835
Fund Reclassification	0	0	873,964	0
Prior period adjustments	0	0	7,640	0
<b>Beginning of period, as restated</b>	<b>4,968,844</b>	<b>5,036,912</b>	<b>5,971,352</b>	<b>5,558,835</b>
<b>End of period</b>	<b>\$ 4,023,087</b>	<b>4,968,844</b>	<b>5,036,912</b>	<b>5,089,748</b>

\* Source - Prior year audit reports.

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

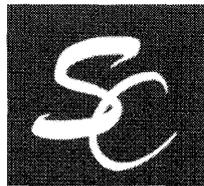
UNAUDITED

	2017	2016*	2015*	2014*
<b>Revenues</b>				
Local sources	\$ 1,849,689	1,781,934	1,552,596	1,493,921
State sources	3,206,479	3,377,972	3,545,310	3,317,971
Federal sources	1,002,275	1,050,333	1,108,405	1,111,841
Sixteenth section sources	155,718	182,493	86,915	133,478
<b>Total Revenues</b>	<b>6,214,161</b>	<b>6,392,732</b>	<b>6,293,226</b>	<b>6,057,211</b>
<b>Expenditures</b>				
Instruction	3,562,806	3,342,060	3,467,632	3,582,731
Support services	2,635,284	2,419,519	2,639,235	2,214,275
Noninstructional services	420,034	404,789	435,134	450,993
Sixteenth section	5,371	7,183	2,487	2,947
Facilities acquisition and construction	215,353	113,645	347,485	3,750
Debt service				
Principal	190,000	180,000	177,000	167,000
Interest	44,066	57,483	40,181	45,373
Other	1,350	0	1,350	999
<b>Total Expenditures</b>	<b>7,074,264</b>	<b>6,524,679</b>	<b>7,110,504</b>	<b>6,468,068</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(860,103)</b>	<b>(131,947)</b>	<b>(817,278)</b>	<b>(410,857)</b>
<b>Other Financing Sources (Uses)</b>				
Insurance loss recoveries	21,417	0	0	32,784
Operating transfers in	280,353	125,076	720,179	51,905
Other financing sources	50	0	0	0
Operating transfers out	(280,353)	(125,076)	(720,179)	(51,905)
<b>Total Other Financing Sources (Uses)</b>	<b>21,467</b>	<b>0</b>	<b>0</b>	<b>32,784</b>
<b>Net Change in Fund Balances</b>	<b>(838,636)</b>	<b>(131,947)</b>	<b>(817,278)</b>	<b>(378,073)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	6,833,316	6,960,126	7,776,078	8,156,771
Prior period adjustments	0	0	7,640	0
<b>Beginning of period, as restated</b>	<b>6,833,316</b>	<b>6,960,126</b>	<b>7,783,718</b>	<b>8,156,771</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>5,735</b>	<b>5,137</b>	<b>(6,314)</b>	<b>(2,620)</b>
<b>End of period</b>	<b>\$ 6,000,415</b>	<b>6,833,316</b>	<b>6,960,126</b>	<b>7,776,078</b>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Lumberton Public 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 Lumberton Public School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Lumberton Public School District's basic financial statements, and have issued my report thereon dated May 8, 2018.

**Internal Control Over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

*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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses [2017-001 and 2017-002].

*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. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency [2017-003].

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lumberton Public 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*.

### **Lumberton Public School District's Response to Findings**

Lumberton Public School District's response to the findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Lumberton Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

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

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
May 8, 2018



**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Independent Auditor's Report

Superintendent and School Board  
Lumberton Public School District

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

I have audited Lumberton Public 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 Lumberton Public School District's major federal programs for the year ended June 30, 2017. Lumberton Public 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 Lumberton Public 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 Lumberton Public 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 Lumberton Public School District's compliance.

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

In my opinion, Lumberton Public 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.

## ***Other Matters***

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004 and 2017-005. My opinion on each major federal program is not modified with respect to these matters.

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

## **Report on Internal Control Over Compliance**

Management of Lumberton Public 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 Lumberton Public 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 Lumberton Public School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004 and 2017-005 that I consider to be material weaknesses. Additionally, I identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-006 that I consider to be a significant deficiency.

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

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

***St. Clair CPA, PLLC***

St. Clair CPA, PLLC  
Carriere, MS  
May 8, 2018

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

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**ST. CLAIR CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

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

Superintendent and School Board  
Lumberton Public School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public School District as of and for the year ended June 30, 2017, which collectively comprise Lumberton Public School District's basic financial statements and have issued my report thereon dated May 8, 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. My report differed from the standard report because of a scope limitation due to the timing of the audit engagement, I was unable to observe the counting of physical inventories included in the Aggregate Remaining Fund Information.

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.

*St. Clair CPA, PLLC*

St. Clair CPA, PLLC  
Carriere, MS  
May 8, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Lumberton Public 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:	<b>Type of Opinion</b>
	<u>Opinion Unit</u>	
	Governmental Activities	Unmodified
	General Fund	Unmodified
	Major Fund – Title I-A Basic Fund	Unmodified
	Major Fund – EHA Part B Fund	Unmodified
	Major Fund – Sixteenth Section Principal Fund	Unmodified
	Aggregate Remaining Fund Information	Qualified
2.	Noncompliance material to the basic financial statements noted?	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiency identified that are not considered to be material weaknesses?	Yes

**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?	Yes
	b. Significant deficiency identified that are not considered to be material weaknesses?	Yes
6.	Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
7.	Federal program identified as major program:	
	<u>CFDA Number</u> <u>Name of Federal Program or Cluster</u>	
	10.553 & 10.555                      Child Nutrition cluster	
	84.027 & 84.173                      Special Education Cluster	
8.	The dollar threshold used to distinguish between type A and type B programs:	\$750,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511(b)	Yes

Section II: Financial Statement Findings

The results of my tests disclosed the following findings related to the financial statements that are required to be reported under the *Government Auditing Standards*.

**Deficiencies Considered to be a Material Weakness**

Finding 2017-001

CRITERIA: Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Lumberton Public School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

CONDITION: I noted several discrepancies with the information provided on the accounting records.

- (1) During my testing of cash, I noted a journal entry for \$29,130 was incorrectly made to increase cash and local revenue, causing both items to be overstated. Additionally, adjustments were made by the district to force the reconciliation of the general operating account to the underlying records. Failure to prepare accurate bank reconciliations could lead to misappropriations of assets and/or material misstatements that go undetected by management.
- (2) During my testing of accounts receivable in the General Fund, I noted accounts receivable and the related state and sixteenth section revenues were overstated by \$30,105.
- (3) My testing of expenditures and accounts receivable in the Major Fund – EHA Part B Fund revealed the district failed to reclassify \$20,041 in contractual services, posted incorrectly to the fund, from the Major Fund – EHA Part B Fund to the District Maintenance Fund (General Fund). This caused the receivables, liabilities, revenues and expenditures in that fund to be overstated by \$20,041. Additionally, this caused the expenditures in the General Fund to be understated and the receivable in the General Fund to be overstated.

CAUSE OF CONDITION: The cause of this condition is a result of not properly implementing the designed system of accounting controls.

EFFECT OF CONDITION: The effect of this condition resulted in the financial statements being materially misstated. The auditor proposed an adjustment, which was accepted by management, to correct these errors.

RECOMMENDATION: It is recommended that the district implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Finding 2017-002

CRITERIA: The auditing standards require that an independent observation and testing of a material inventory account balance be performed.

CONDITION: There was no independent observation of the year-end Child Nutrition inventory account. This account balance was material to the financial statements.

CAUSE OF CONDITION: The cause of this condition is an absence of controls regarding independent observation and testing of the inventory account balance when that account is material to financial statements.

EFFECT OF CONDITION: The effect of this condition results in a qualified opinion on the financial statements.

RECOMMENDATION: It is recommended that the Child Nutrition Program inventory account be closely monitored at or near year-end to determine whether the account balance appears to be material to the financial statements. When the account appears to be material, then management should employ the services of an independent auditor to observe and test the year-end procedures performed by the district's staff.

**Significant Deficiency Identified that is Not Considered to be Material Weakness**

Finding 2017-003

CRITERIA: An appropriately and properly designed system of internal accounting controls would have the duties of the business manager segregated to the greatest extent possible.

CONDITION: The business manager initiates, prepares, approves and enters all journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. In addition, the business manager reconciles the district's bank accounts, has access to the blank checks, and has signature authority on the bank accounts.

CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accounting controls.

EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.

Lumberton Public School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

RECOMMENDATION: It is recommended that the duties of the business manager be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

The results of my tests disclosed the following findings and questioned costs related to the federal awards:

**Significant Deficiencies Considered to be a Material Weakness**

Finding 2017-004

Program CFDA No.: 10.555 & 10.553 CFDA program title: Child Nutrition Cluster  
U.S. Department of Education  
Passed through the Mississippi Department of Education

Compliance Requirement Special Reporting – Paid Lunch Equity

CRITERIA: On an annual basis the district program personnel is required to calculate paid lunch equity in accordance with USDA guidelines. This is to ensure that paid meals are not being subsidized by the reimbursement meal prices for the ensuing school year.

CONDITION: There was no documentation available to support that the calculation for paid lunch equity had been performed.

CAUSE OF CONDITION: The cause of the condition is the absence of controls to ensure the performance of required procedures and to also safeguard documentation of those procedures.

EFFECT OF CONDITION: The effect of the condition is non-compliance with federal requirements.

QUESTIONED COST: None

RECOMMENDATION: It is recommended that program personnel perform the paid lunch equity calculation on an annual basis to determine the amount to be charged for paid meals.

Finding 2017-005

Program CFDA No.: 10.555 & 10.553 CFDA program title: Child Nutrition Cluster  
U.S. Department of Education  
Passed through the Mississippi Department of Education

Compliance Requirement Eligibility

CRITERIA: District program personnel should exercise caution and due diligence when evaluating the data submitted on the students applications for qualifying for free and reduced priced status.

CONDITION: Out of the sample of 40 applications tested, there were 5 applications where the student's qualification status was incorrect.

CAUSE OF CONDITION: The cause of the condition is a control deficiency in the processing of free and reduced price applications.

EFFECT OF CONDITION: The effect of the condition is non-compliance with federal requirements.

QUESTIONED COST: None

IDENTIFICATION OF A REPEAT FINDING: Yes

Lumberton Public School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

RECOMMENDATION: It is recommended that district program personnel exercise caution and due diligence when evaluating the data submitted on students applications for qualifying for free and reduced prices.

**Significant Deficiency Identified that is Not Considered to be Material Weakness**

Finding 2017-006

Program CFDA No.: 84.027 & 84.173

CFDA program title: Special Education Cluster  
U.S. Department of Education  
Passed through the Mississippi Department of Education

Compliance Requirement Reporting

CRITERIA: Reporting requirements for the program require the school district to submit an annual expenditure report to the Mississippi Department of Education by September 30 following the close of the fiscal year. The report is to be prepared from the district's accounting records and is to be an accurate representation of the district's expenditures for the year ended.

CONDITION: Upon examination of the financial statements, it was noted that the amounts on the Mississippi Department of Education's Annual Expenditure Report did not agree with the financial statements.

CAUSE OF CONDITION: The cause of the condition is an absence of controls to accumulate, record, compare and reconcile the amounts reported in the general ledger to the financial statements and the Mississippi Department of Education's Annual Expenditure Report.

EFFECT OF CONDITION: The effect of this condition could result in non-compliance with federal program requirements and the possibility of questioned costs of federal program expenditures.

QUESTIONED COST: None

RECOMMENDATION: It is recommended that the district prepare reports using correct underlying financial records.

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

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**LUMBERTON PUBLIC SCHOOL DISTRICT**  
**107 TENTH AVENUE**  
**P.O. Box 551**  
**LUMBERTON, MISSISSIPPI 39455**  
Phone (601) 796-2441—Fax (601) 796-2051

**RENEA BULLARD**  
*Business Manager*

**LINDA L. SMITH, PH.D**  
*Superintendent*

**KOMEKIA TURNER**  
*Payroll / Personnel*

**AMBER MARTIN**  
*Secretary*

**CONNIE RHEAMS**  
*Accounts Payable*

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**AUDITEE'S CORRECTIVE ACTION PLAN**

May 8, 2018

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

Finding 2017-001

Corrective Action Plan

- a. Contact person responsible for corrective action:

Renea Bullard, Business Manager

- b. Description of correction action to be taken

We will implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

- c. Anticipated completion date of corrective action

Immediately

Finding 2017-002

Corrective Action Plan

- a. Contact person responsible for corrective action

Renea Bullard, Business Manager

- b. Description of correction action to be taken

Year-end inventory will be monitored. In the event inventory is approaching a material amount at year end the auditor will be notified to observe a physical inventory count.

- c. Anticipated completion date of corrective action

Immediately

Finding 2017-003

Corrective Action Plan

- a. Contact person responsible for corrective action  
Renea Bullard, Business Manager
- b. Description of correction action to be taken  
Due to a limited staff in the Superintends Office and the consolidation with Lamar County School District on July 1, 2018 it would not be feasible to segregate these duties at this time.
- c. Anticipated completion date of corrective action  
N/A

Finding 2017-004

Corrective Action Plan

- a. Contact person responsible for corrective action:  
Renea Bullard, Business Manager
- b. Description of correction action to be taken  
Lumberton School District has contracted with Lamar County School District to administer and monitor the Child Nutrition Program for the 2017-2018 fiscal year.
- c. Anticipated completion date of corrective action  
July 1, 2017

Finding 2017-005

Corrective Action Plan

- a. Contact person responsible for corrective action:  
Renea Bullard, Business Manager
- b. Description of correction action to be taken  
Lumberton School District has contracted with Lamar County School District to administer and monitor the Child Nutrition Program for the 2017-2018 fiscal year.
- c. Anticipated completion date of corrective action  
July 1, 2017

Finding 2017-006

Corrective Action Plan

a. Contact person responsible for corrective action:

Renea Bullard, Business Manager

b. Description of correction action to be taken

Lumberton School District has contracted with a highly qualified Retired Special Education Director to administer and monitor the Special Education program.

c. Anticipated completion date of corrective action

July 1, 2017

Sincerely,

A handwritten signature in cursive script that reads "Linda R. Smith". The signature is written in black ink and is positioned above the typed name.

Superintendent of Education

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**LUMBERTON PUBLIC SCHOOL DISTRICT**  
**107 TENTH AVENUE**  
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*Secretary*

**CONNIE RHEAMS**  
*Accounts Payable*

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**Summary Schedule of Prior Audit Findings**

May 8, 2018

Financial and Compliance Audit Division

As required by 2 CFR 200.511(b), the Lumberton Public 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
2016 - 004	Not Corrected
2016 - 005	Corrected

Sincerely,

  
Superintendent of Education

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