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LAMAR COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2018**

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

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lamar County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District, as of June 30, 2018, 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, schedule of district contributions (PERS), the district's proportionate share of the net OPEB liability and schedule of district contributions (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2018, on my consideration of the Lamar County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Lamar County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
December 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2018

The following discussion and analysis of Lamar County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$12,590,857, including a prior period adjustment of (\$7,913,081), which represents a 36% decrease from fiscal year 2017. Total net position for 2017 decreased \$9,040,552, including a prior period adjustment of \$266, which represents a 35% decrease from fiscal year 2016.
- General revenues amounted to \$77,646,930 and \$79,909,682, or 84% and 86% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,306,440, or 16% of total revenues for 2018, and \$12,671,119, or 14% of total revenues for 2017.
- The District had \$97,631,146 and \$101,621,619 in expenses for fiscal years 2018 and 2017; only \$15,306,440 for 2018 and \$12,671,119 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$77,646,930 for 2018 and \$79,909,682 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$73,280,139 in revenues and \$70,647,626 in expenditures for 2018, and \$74,513,871 in revenues and \$70,540,147 in expenditures in 2017. The General Fund's fund balance decreased by \$103,723 from 2017 to 2018 and increased by \$2,603,904 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$799,244 for 2018 and increased by \$651,841 for 2017. The decrease for 2018 was due to the addition, disposal and adjustments to capital assets coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$3,255,584 for 2018 and decreased by \$4,372,298 for 2017. This decrease for 2018 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences increased by \$29,589 for 2018 and increased by \$47,875 for 2017.

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, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$47,356,070 as of June 30, 2018.

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, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 15,962,413	\$ 17,234,187	(7.38) %
Restricted assets	18,160,945	16,822,556	7.96 %
Capital assets, net	92,428,493	93,227,737	(0.86) %
Total assets	126,551,851	127,284,480	(0.58) %
 Deferred outflows of resources	 14,479,311	 22,349,287	 (35.21) %
 Current liabilities	4,880,916	4,779,640	2.12 %
Long-term debt outstanding	42,465,792	45,721,376	(7.12) %
Net OPEB liability	8,282,483	0	N/A
Net pension liability	128,637,807	133,644,880	(3.75) %
Total liabilities	184,266,998	184,145,896	0.07 %
 Deferred inflows of resources	 4,120,234	 253,084	 1528.01 %
 Net position:			
Net investment in capital assets	53,563,046	50,477,816	6.11 %
Restricted	25,795,734	25,997,828	(0.78) %
Unrestricted	(126,714,850)	(111,240,857)	(13.91) %
Total net position	\$ (47,356,070)	\$ (34,765,213)	(36.22) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(126,714,850)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	129,305,983
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,591,133</u>

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

- Decrease in net capital assets in the amount of \$799,244.
- The principal retirement of \$4,500,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$8,282,483.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$92,953,370 and \$92,580,801, respectively. The total cost of all programs and services was \$97,631,146 for 2018 and \$101,621,619 for 2017.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,564,422	\$ 3,565,450	(0.03) %
Operating grants and contributions	11,742,018	9,105,669	28.95 %
General revenues:			
Property taxes	30,096,101	29,427,346	2.27 %
Grants and contributions not restricted	45,510,236	48,653,492	(6.46) %
Investment earnings	97,017	109,800	(11.64) %
Sixteenth section sources	1,671,599	1,719,044	(2.76) %
Other	271,977	0	N/A
Total revenues	<u>92,953,370</u>	<u>92,580,801</u>	0.40 %
Expenses:			
Instruction	47,818,553	47,883,906	(0.14) %
Support services	27,740,267	27,510,535	0.84 %
Non-instructional	3,729,899	3,599,662	3.62 %
Sixteenth section	151,743	87,625	73.17 %
Pension expense	15,727,773	20,462,662	(23.14) %
OPEB expense	455,006	0	N/A
Interest on long-term liabilities	2,007,905	2,077,229	(3.34) %
Total expenses	<u>97,631,146</u>	<u>101,621,619</u>	(3.93) %
Increase (Decrease) in net position	<u>(4,677,776)</u>	<u>(9,040,818)</u>	48.26 %
Net Position, July 1, as previously reported	<u>(34,765,213)</u>	<u>(25,724,661)</u>	(35.14) %
Prior Period Adjustment	<u>(7,913,081)</u>	<u>266</u>	(2,974,942.48) %
Net Position, July 1, as restated	<u>(42,678,294)</u>	<u>(25,724,395)</u>	(65.91) %
Net Position, June 30	<u>\$ (47,356,070)</u>	<u>\$ (34,765,213)</u>	(36.22) %

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB expense and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific

programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 47,818,553	\$ 47,883,906	(0.14) %
Support services	27,740,267	27,510,535	0.84 %
Non-instructional	3,729,899	3,599,662	3.62 %
Sixteenth section	151,743	87,625	73.17 %
Pension Expense	15,727,773	20,462,662	(23.14) %
OPEB Expense	455,006	0	N/A
Interest on long-term liabilities	2,007,905	2,077,229	(3.34) %
Total expenses	\$ 97,631,146	\$ 101,621,619	(3.93) %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (41,420,805)	\$ (42,033,434)	(1.46) %
Support services	(23,782,552)	(25,688,567)	(7.42) %
Non-instructional	1,221,078	1,399,017	(12.72) %
Sixteenth section	(151,743)	(87,625)	73.17 %
Pension Expense	(15,727,773)	(20,462,662)	(23.14) %
OPEB Expense	(455,006)	0	N/A
Interest on long-term liabilities	(2,007,905)	(2,077,229)	(3.34) %
Total net (expense) revenue	\$ (82,324,706)	\$ (88,950,500)	(7.45) %

- Net cost of governmental activities (\$82,324,706 for 2018 and \$88,950,500 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$30,096,101 for 2018 and \$29,427,346 for 2017) and state and federal revenues (\$45,510,236 for 2018 and \$48,653,492 for 2017). In addition, there was \$1,671,599 and \$1,719,044 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$97,017 for 2018 and \$109,800 for 2017.

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 \$29,498,689, a decrease of \$96,257, which includes a decrease in inventory of \$16,074. \$2,358,631 or 8% 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 \$27,140,058 or 92% 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 \$103,723. The fund balance of Other Governmental Funds showed a decrease in the amount of \$22,873, which includes a decrease in reserve for inventory of \$16,074. The increase in the fund balance for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase</u>
16th Section Principal Fund	\$ 30,339

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$133,864,233, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,138,424 from 2017. Total accumulated depreciation as of June 30, 2018, was \$41,435,740, and total depreciation expense for the year was \$3,021,073, resulting in total net capital assets of \$92,428,493.

Table 4

Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 602,947	\$ 602,947	0.00 %
Construction in Progress	1,011,012	2,830,079	(64.28) %
Buildings	84,046,796	83,701,282	0.41 %
Improvements other than buildings	2,595,904	2,733,961	(5.05) %
Mobile equipment	3,726,115	2,982,272	24.94 %
Furniture and equipment	445,719	377,196	18.17 %
Total	\$ 92,428,493	\$ 93,227,737	(0.86) %

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

Debt Administration. At June 30, 2018, the District had \$42,465,792 in outstanding long-term debt, of which \$5,062,619 is due within one year. The liability for compensated absences increased \$29,589 from the prior year.

Table 5

Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation refunding bonds payable	22,400,000	25,140,000	(10.90) %
Premium on refunding bonds payable	561,217	641,390	(12.50) %
Limited obligation refunding bonds payable	939,000	1,864,000	(49.62) %
Certificates of participation payable	1,145,000	1,310,000	(12.60) %
Three mill notes payable	16,565,000	15,940,000	3.92 %
Compensated absences payable	855,575	825,986	3.58 %
Total	\$ 42,465,792	\$ 45,721,376	(7.12) %

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

CURRENT ISSUES

The Lamar County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,232,529
Due from other governments	1,604,727
Other receivables, net	10,044
Inventories	115,113
Restricted assets (Note 4)	18,160,945
Non-depreciable capital assets (Note 5)	1,613,959
Depreciable capital assets, net (Note 5)	90,814,534
Total Assets	126,551,851
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 8)	11,131,181
Deferred outflow - OPEB (Note 9)	603,360
Deferred outflow - advance refunding on bonds	2,744,770
Total Deferred Outflows of Resources	14,479,311
Liabilities	
Accounts payable and accrued liabilities	4,624,669
Interest payable on long-term liabilities	256,247
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	4,914,000
Bond premium - capital related	80,173
Non-capital related liabilities	68,446
Net OPEB liability (Note 9)	353,095
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	36,135,000
Bond premium - capital related	481,044
Non-capital related liabilities	787,129
Net OPEB liability (Note 9)	7,929,388
Net pension liability (Note 8)	128,637,807
Total Liabilities	184,266,998
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 8)	3,698,493
Deferred inflows - OPEB (Note 9)	421,741
Total Deferred Inflows of Resources	4,120,234
Net Position	
Net investment in capital assets	53,563,046
Restricted net position	
Expendable	
School-based activities	1,720,787
Debt service	3,036,778
Contractual commitments	26,098
Forestry improvements	185,037
Unemployment benefits	144,389
Non-expendable	
Sixteenth section	20,682,645
Unrestricted	(126,714,850)
Total Net Position	\$ (47,356,070)

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 47,818,553	2,302,446	4,095,302	(41,420,805)
Support services	27,740,267		3,957,715	(23,782,552)
Non-instructional	3,729,899	1,261,976	3,689,001	1,221,078
Sixteenth section	151,743			(151,743)
Pension expense	15,727,773			(15,727,773)
OPEB expense	455,006			(455,006)
Interest on long-term liabilities	2,007,905			(2,007,905)
Total Governmental Activities	<u>97,631,146</u>	<u>3,564,422</u>	<u>11,742,018</u>	<u>(82,324,706)</u>
General Revenues				
Taxes				
General purpose levies				25,275,287
Debt purpose levies				4,820,814
Unrestricted grants and contributions				
State				45,339,740
Federal				170,496
Unrestricted investment earnings				97,017
Sixteenth section sources				1,671,599
Other				271,977
Total General Revenues				<u>77,646,930</u>
Changes in Net Position				<u>(4,677,776)</u>
Net Position - Beginning, as previously reported				(34,765,213)
Prior Period Adjustments (Note 11)				(7,913,081)
Net Position - Beginning - as restated				<u>(42,678,294)</u>
Net Position - Ending				<u>\$ (47,356,070)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2018

Exhibit C

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 2)	\$ 14,232,529	1,681,640	4,873,915	20,788,084
Investments (Note 2)		10,431,266	1,174,124	11,605,390
Due from other governments	858,708		746,019	1,604,727
Due from other funds (Note 3)	1,099,478			1,099,478
Advances to other funds (Note 3)		8,802,500		8,802,500
Inventories			115,113	115,113
Total Assets	16,190,715	20,915,406	6,909,171	44,015,292
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	3,915,409		709,260	4,624,669
Due to other funds (Note 3)		232,761	856,673	1,089,434
Advances from other funds (Note 3)	8,802,500			8,802,500
Total Liabilities	12,717,909	232,761	1,565,933	14,516,603
Fund Balances				
Nonspendable				
Inventory			115,113	115,113
Permanent fund principal		11,880,145		11,880,145
Advances		8,802,500		8,802,500
Restricted				
Debt service			3,293,025	3,293,025
Forestry improvements			185,037	185,037
Unemployment benefits			144,389	144,389
Grant activities			1,605,674	1,605,674
Contractual commitments	26,098			26,098
Assigned				
School activities	938,841			938,841
Grant Funds	97,388			97,388
Insurance Deductibles	51,848			51,848
Unassigned	2,358,631			2,358,631
Total Fund Balances	3,472,806	20,682,645	5,343,238	29,498,689
Total Liabilities and Fund Balances	\$ 16,190,715	20,915,406	6,909,171	44,015,292

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

LAMAR COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Exhibit C-1

		<u>Amount</u>
Total Fund Balance - Governmental Funds		\$ 29,498,689
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	602,947	
Construction in progress	1,011,012	
Buildings	111,409,162	
Improvement other than buildings	5,324,004	
Mobile equipment	9,741,877	
Furniture and equipment	5,775,231	
Accumulated depreciation	<u>(41,435,740)</u>	92,428,493
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(128,637,807)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	11,131,181	
Deferred inflows of resources related to pensions	<u>(3,698,493)</u>	7,432,688
Some liabilities, including net OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net OPEB liability		(8,282,483)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	603,360	
Deferred inflows of resources related to OPEB	<u>(421,741)</u>	181,619
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(22,400,000)	
Limited obligation bonds	(939,000)	
Certificates of participation	(1,145,000)	
Three mill notes	(16,565,000)	
Compensated absences	(855,575)	
Unamortized premiums	(561,217)	
Deferred outflow - advance refunding of bonds	2,744,770	
Accrued interest payable	<u>(256,247)</u>	(39,977,269)
Total Net Position - Governmental Activities		<u>\$ (47,356,070)</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

Exhibit D

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local sources	\$ 27,651,981		6,105,563	33,757,544
State sources	44,374,697		4,034,199	48,408,896
Federal sources	250,484		8,592,867	8,843,351
Sixteenth section sources	1,002,977	634,919	33,706	1,671,602
Total Revenues	<u>73,280,139</u>	<u>634,919</u>	<u>18,766,335</u>	<u>92,681,393</u>
Expenditures				
Instruction	45,020,578		5,703,770	50,724,348
Support services	25,112,564		5,384,439	30,497,003
Noninstructional services	27,985		4,431,452	4,459,437
Sixteenth section	114,680		37,063	151,743
Facilities acquisition and construction			779,925	779,925
Debt service				
Principal (Note 6)			4,500,000	4,500,000
Interest	371,819		1,279,317	1,651,136
Other			198,927	198,927
Total Expenditures	<u>70,647,626</u>	<u>0</u>	<u>22,314,893</u>	<u>92,962,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,632,513</u>	<u>634,919</u>	<u>(3,548,558)</u>	<u>(281,126)</u>
Other Financing Sources (Uses)				
Proceeds of refunding bonds (Note 6)			9,280,000	9,280,000
Insurance loss recoveries (Note 15)	7,238			7,238
Operating transfers in (Note 3)	854,742		3,598,216	4,452,958
Other financing sources			264,739	264,739
Operating transfers out (Note 3)	(3,598,216)	(604,580)	(250,162)	(4,452,958)
Payment to refunded bond escrow agent			(9,279,967)	(9,279,967)
Other financing uses			(71,067)	(71,067)
Total Other Financing Sources (Uses)	<u>(2,736,236)</u>	<u>(604,580)</u>	<u>3,541,759</u>	<u>200,943</u>
Net Change in Fund Balances	<u>(103,723)</u>	<u>30,339</u>	<u>(6,799)</u>	<u>(80,183)</u>
Fund Balances				
July 1, 2017	3,576,529	20,652,306	5,366,111	29,594,946
Decrease in reserve for inventory			(16,074)	(16,074)
June 30, 2018	<u>\$ 3,472,806</u>	<u>20,682,645</u>	<u>5,343,238</u>	<u>29,498,689</u>

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2018

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ (80,183)

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	2,153,940	
Depreciation expense	<u>(3,021,073)</u>	(867,133)

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.

(17,983)

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:

Refunding bonds issued	(9,280,000)	
Difference between the carry value of refunded debt and the acquisition cost of refunded debt	1,294,967	
Premiums on bonds and refunding bonds issued	80,173	
Payments of debt principal	4,500,000	
Payment on refunded bonds	7,985,000	
Accrued interest payable	<u>61,596</u>	4,641,736

Some items relating to pensions and 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:

Pension expense	(15,727,773)	
Contributions made subsequent to the measurement date	<u>7,820,745</u>	(7,907,028)

Some items relating to OPEB and 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:

OPEB expense	(455,006)	
Contributions made subsequent to the measurement date	<u>353,095</u>	(101,911)

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	(29,589)	
Change in inventory reserve	(16,074)	
Amortization of deferred outflow - advance refunding of bonds	<u>(299,611)</u>	(345,274)

Changes in Net Position of Governmental Activities	<u>\$ (4,677,776)</u>
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The notes to the financial statements are an integral part of this statement.

LAMAR COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2018

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 239,764</u>
Total Assets	<u>239,764</u>
Liabilities	
Accounts payable and accrued liabilities	24,031
Due to other funds (Note 3)	10,044
Due to student clubs	<u>205,689</u>
Total Liabilities	<u>\$ 239,764</u>

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

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LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

B. Government-wide and Fund Financial Statements

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

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

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

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

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

The school district reports the following major governmental funds:

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

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

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

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

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future 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, OPEB reporting and that resulting from advance refunding of debt.

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

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

12. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund. Failure to meet the policy is the result of the \$8,802,500 advance from the Major Fund - 16th Section Principal Fund. As this advance is repaid in future years the district will be in compliance with the policy.

Note 2 – Cash and Cash Equivalents and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name

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of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$20,788,084 and \$239,764, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Investments

As of June 30, 2018, the district had the following investments.

Types of Investments	Credit Rating	Maturities	Fair Value
Fidelity Money market	N/A	< 1 year	\$ 171,768
US Treasury Bonds	AA+	5 to 10	1,721,530
Government Agency Bonds	AA+	5 to 10	1,880,138
Corporate Bonds	AA-	1 to 5	683,065
Taxable Municipal Bonds	AA	5 to 10	1,627,635
Collateralized mortgage obligations	AA+	5 to 10	905,992
Collateralized mortgage obligations	AA+	> 10	128,735
Mortgaged Backed Securities	AA+	1 to 5	1,193,610
Mortgaged Backed Securities	AA+	5 to 10	1,684,655
Mortgaged Backed Securities	AA+	> 10	434,138
Federated US Treasury Cash Reserve	AAAm	< 1 Year	1,174,124
		Total	<u>\$ 11,605,390</u>

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

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inputs.

The listed investments of \$11,605,390 are valued using quoted market prices (Level 1 inputs).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2018, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major Fund - 16th Section Principal Fund	\$ 232,761
	Other governmental funds	856,673
	Fiduciary Funds	10,044
Total		<u>\$ 1,099,478</u>

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major Fund - 16th Section Principal Fund	General Fund	<u>\$ 8,802,500</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, 2018 is four percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 680,250	352,100	1,032,350
2020	680,250	324,890	1,005,140
2021	680,250	297,680	977,930
2022	680,250	270,470	950,720
2023	680,250	243,260	923,510
2024 - 2028	3,401,250	808,150	4,209,400
2029 - 2032	2,000,000	191,200	2,191,200
Total	<u>\$ 8,802,500</u>	<u>2,487,750</u>	<u>11,290,250</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 3,598,216
Major fund - 16th Section Principal	General Fund	604,580
Other governmental funds	General Fund	250,162
Total		<u>\$ 4,452,958</u>

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

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the 16th Section Principal Fund (Permanent Fund) and the Debt Service Funds, totaling \$10,431,266 and \$1,174,124, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling \$6,555,555 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

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Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2018
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 602,947					602,947
Construction-in-progress	2,830,079	779,925		(2,597,588)	(1,404)	1,011,012
Total non-depreciable capital assets	3,433,026	779,925	0	(2,597,588)	(1,404)	1,613,959
<u>Depreciable capital assets:</u>						
Buildings	109,270,400		(64,032)	2,597,588	(394,794)	111,409,162
Improvements other than buildings	5,300,867				23,137	5,324,004
Mobile equipment	8,504,855	1,326,516	(12,020)		(77,474)	9,741,877
Furniture and equipment	6,216,661	47,499	(397,470)		(91,459)	5,775,231
Total depreciable capital assets	129,292,783	1,374,015	(473,522)	2,597,588	(540,590)	132,250,274
<u>Less accumulated depreciation for:</u>						
Buildings	25,569,118	2,094,332	(55,643)		(245,441)	27,362,366
Improvements other than buildings	2,566,906	201,892			(40,698)	2,728,100
Mobile equipment	5,522,583	578,492	(10,818)		(74,495)	6,015,762
Furniture and equipment	5,839,465	146,357	(389,078)		(267,232)	5,329,512
Total accumulated depreciation	39,498,072	3,021,073	(455,539)	0	(627,866)	41,435,740
Total depreciable capital assets, net	89,794,711	(1,647,058)	(17,983)	2,597,588	87,276	90,814,534
Governmental activities capital assets, net	\$ 93,227,737	(867,133)	(17,983)	0	85,872	92,428,493

The adjustment to capital assets is for correction of errors resulting from a change in financial accounting software.

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 1,973,509
Support services	979,382
Non-instructional	68,182
Total depreciation expense - Governmental activities	\$ 3,021,073

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2018	Remaining Commitment
Alternative School Building	\$ 1,011,012	26,098

Construction projects are funded with local funds.

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Notes to the Financial Statements
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Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation refunding bonds payable	\$ 25,140,000		2,740,000	22,400,000	2,860,000
Premiums on bonds payable	641,390		80,173	561,217	80,173
B. Limited obligation refunding bonds payable	1,864,000		925,000	939,000	939,000
C. Certificates of participation payable	1,310,000		165,000	1,145,000	175,000
D. Three mill notes payable	15,940,000	9,280,000	8,655,000	16,565,000	940,000
E. Compensated absences payable	825,986	29,589		855,575	68,446
Total	<u>\$ 45,721,376</u>	<u>9,309,589</u>	<u>12,565,173</u>	<u>42,465,792</u>	<u>5,062,619</u>

Summary of Reductions to Debt:

Debt Service – principal	\$ 4,500,000
Payment on refunded debt principal	7,985,000
Amortization of bond premium	80,173
Total Reductions to Debt	<u>\$12,565,173</u>

A. General obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, 2012	2.125	12/3/2012	6/1/2025	\$ 9,985,000	9,480,000
2. General obligation refunding bonds, 2013	2.0-5.0	3/21/2013	6/1/2023	20,990,000	12,920,000
Total				<u>\$ 30,975,000</u>	<u>22,400,000</u>

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

1. General obligation refunding bonds, 2012:

Year Ending June 30	Principal	Interest	Total
2019	\$ 105,000	198,381	303,381
2020	110,000	196,281	306,281
2021	110,000	194,081	304,081
2022	115,000	191,881	306,881
2023	2,015,000	189,580	2,204,580
2024 – 2025	7,025,000	224,719	7,249,719
Total	<u>\$ 9,480,000</u>	<u>1,194,923</u>	<u>10,674,923</u>

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

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2. General obligation refunding bonds, 2013:

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,755,000	379,419	3,134,419
2020	2,870,000	307,100	3,177,100
2021	2,975,000	249,700	3,224,700
2022	3,030,000	190,200	3,220,200
2023	1,290,000	38,700	1,328,700
Total	<u>\$ 12,920,000</u>	<u>1,165,119</u>	<u>14,085,119</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,860,000	577,800	3,437,800
2020	2,980,000	503,381	3,483,381
2021	3,085,000	443,781	3,528,781
2022	3,145,000	382,081	3,527,081
2023	3,305,000	228,280	3,533,280
2024 - 2025	7,025,000	224,719	7,249,719
Total	<u>\$ 22,400,000</u>	<u>2,360,042</u>	<u>24,760,042</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 5.4% of property assessments as of October 1, 2017.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, 2014	.60 - 1.6	4/16/2014	8/1/2018	<u>\$ 4,373,000</u>	<u>939,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	<u>\$ 939,000</u>	<u>7,512</u>	<u>946,512</u>

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

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the

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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.

C. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation, Series 2003	3.79	8/1/2003	8/1/2023	<u>\$ 3,000,000</u>	<u>1,145,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 175,000	40,079	215,079
2020	180,000	33,352	213,352
2021	185,000	26,435	211,435
2022	195,000	19,234	214,234
2023	200,000	11,749	211,749
2024	<u>210,000</u>	<u>3,980</u>	<u>213,980</u>
Total	<u>\$ 1,145,000</u>	<u>134,829</u>	<u>1,279,829</u>

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972). \$282,969 of those funds are applied toward this debt.

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2013	3.0 - 5.0	9/5/2013	9/1/2033	\$ 17,900,000	7,285,000
Limited tax refunding notes, 2017	2.5 - 4.0	12/20/2017	9/1/2033	<u>9,280,000</u>	<u>9,280,000</u>
				<u>\$ 27,180,000</u>	<u>16,565,000</u>

Advance Refunding

On December 20, 2017, the district issued \$9,280,000 in limited tax refunding notes with an average interest rate of 3.1% to advance refund \$7,985,000 of outstanding limited tax notes with an average interest rate of 4.9%. The net proceeds of \$9,279,967 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited tax notes.

As a result, the limited tax notes are considered to be defeased and the liability for those notes has been removed from long-term liabilities.

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The district advance refunded the limited tax notes to reduce its total debt service payments over the remaining sixteen years of the debt by approximately \$617,374 and to realize an economic gain of \$618,226.

1. Limited tax notes, 2013:

Year Ending June 30	Principal	Interest	Total
2019	\$ 690,000	672,504	1,362,504
2020	715,000	644,404	1,359,404
2021	745,000	615,204	1,360,204
2022	775,000	584,804	1,359,804
2023	805,000	553,204	1,358,204
2024 - 2027	3,555,000	1,870,011	5,425,011
Total	<u>\$ 7,285,000</u>	<u>4,940,131</u>	<u>12,225,131</u>

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

2. Limited tax refunding notes, 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 250,000	265,650	515,650
2020	130,000	258,950	388,950
2021	135,000	253,987	388,987
2022	140,000	249,524	389,524
2023	145,000	245,249	390,249
2024 - 2028	1,760,000	1,143,370	2,903,370
2029 - 2033	6,265,000	504,484	6,769,484
2034	455,000	6,875	461,875
Total	<u>\$ 9,280,000</u>	<u>2,928,089</u>	<u>12,208,089</u>

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 940,000	938,154	1,878,154
2020	845,000	903,354	1,748,354
2021	880,000	869,191	1,749,191
2022	915,000	834,328	1,749,328
2023	950,000	798,453	1,748,453
2024 - 2028	5,315,000	3,013,381	8,328,381
2029 - 2033	6,265,000	504,484	6,769,484
2034	455,000	6,875	461,875
Total	<u>\$ 16,565,000</u>	<u>7,868,220</u>	<u>24,433,220</u>

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E. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under renovation contracts amounted to \$26,098. This will be financed with the local funds.

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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, 2018 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, 2018, 2017 and 2016 were \$7,820,745, \$7,818,616 and \$7,538,475, 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, 2018, the school district reported a liability of \$128,637,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018 net pension liability was .773836

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percent, which was based on a measurement date of June 30, 2017. This was an increase of .025649 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$15,727,773. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,299,712	\$ 660,106
Net difference between projected and actual earnings on pension plan investments***	0	990,968
Changes of assumptions	2,010,724	154,153
Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,893,266
District contributions subsequent to the measurement date	7,820,745	0
Total	<u>\$ 11,131,181</u>	<u>\$ 3,698,493</u>

\$7,820,745 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, 2019. 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:	
2019	\$ (40,498)
2020	(40,498)
2021	(307,061)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00	%	4.60	%
International Equity	18.00		4.50	

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 168,717,072	\$ 128,637,807	\$ 95,363,308

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$353,095 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$8,282,483 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 1.05561916 percent. This was an increase of .03602872 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$455,006. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ 0	\$ 0
Changes of assumptions	0	421,741
Net difference between projected and actual earnings on OPEB plan investments	0	0
Changes in proportion and differences between District contributions and proportionate share of contributions	250,265	0
District contributions subsequent to the measurement date	353,095	0
Total	\$ <u>603,360</u>	\$ <u>421,741</u>

\$353,095 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30:</u>	
2019	\$ (30,084)
2020	(30,084)
2021	(30,084)
2022	(30,084)
2023	(30,084)
Thereafter	(21,056)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

LAMAR COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2018

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate
Pre-Medicare	rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 8,501,218	\$ 8,282,483	\$ 8,119,590

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 7,649,428	\$ 8,282,483	\$ 9,005,181

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2019	\$ 1,197,638
2020	1,192,993
2021	1,178,396
2022	1,167,849
2023	1,161,172
2024 – 2028	5,770,530
2029 – 2033	5,389,614
2034 – 2038	3,868,923
2039 – 2043	2,463,828
2044 – 2048	1,423,613
Thereafter	225,659
Total	<u>\$ 25,040,215</u>

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
Implementation of GASB 75 - Net OPEB Liability	(7,998,953)
Error correction - adjustments to capital assets	85,872
	<u>\$ (7,913,081)</u>

Note 12 – Contingencies

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

Note 13 – Risk Management

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

Note 14 – Trust Certificates

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

The trust agreement authorized the issuance of trust certificates in the principal amount of \$3,000,000. Approximately \$2,922,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$78,000 was used to pay the cost of issuance.

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

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

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

Note 15 - Insurance loss recoveries

The Lamar County School District received \$7,238 in insurance loss recoveries related to tornado/hail damage to buildings and bus damage due to accidents. 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:

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2018

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ 7,238	100%	Instruction

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$126,714,850) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability, the net OPEB liability and related account balances and deferring the recognition of expenses associated with the advance refunding of bonds.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 30, 2018, and determined that the following subsequent events have 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 31, 2018. In accordance with the agreement, effective July 1, 2018 the territory of the Lumberton Public School District was transferred to Lamar County School District and the students enrolled in the schools of the former Lumberton Public School District were granted an automatic transfer to Lamar County School District.

REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 26,209,368	27,651,981	27,651,981	1,442,613	0
State sources	44,487,432	44,374,697	44,374,697	(112,735)	0
Federal sources	18,000	170,496	250,484	152,496	79,988
Sixteenth section sources	899,750	1,002,977	1,002,977	103,227	0
Total Revenues	<u>71,614,550</u>	<u>73,200,151</u>	<u>73,280,139</u>	<u>1,585,601</u>	<u>79,988</u>
Expenditures					
Instruction	45,769,771	45,020,578	45,020,578	749,193	0
Support services	22,647,278	25,006,863	25,112,564	(2,359,585)	(105,701)
Noninstructional services	352,953	27,985	27,985	324,968	0
Sixteenth section	352,953	114,680	114,680	238,273	0
Facilities acquisition and construction	0	25,713	0	(25,713)	25,713
Debt service					
Interest	1,053,616	371,819	371,819	681,797	0
Total Expenditures	<u>70,176,571</u>	<u>70,567,638</u>	<u>70,647,626</u>	<u>(391,067)</u>	<u>(79,988)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,437,979</u>	<u>2,632,513</u>	<u>2,632,513</u>	<u>1,194,534</u>	<u>0</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	7,238	7,238	7,238	0
Operating transfers in	4,294,777	4,550,052	854,742	255,275	(3,695,310)
Operating transfers out	(5,826,282)	(7,293,526)	(3,598,216)	(1,467,244)	3,695,310
Total Other Financing Sources (Uses)	<u>(1,531,505)</u>	<u>(2,736,236)</u>	<u>(2,736,236)</u>	<u>(1,204,731)</u>	<u>0</u>
Net Change in Fund Balances			<u>(103,723)</u>		
Fund Balances					
July 1, 2017			<u>3,576,529</u>		
June 30, 2018			<u>\$ 3,472,806</u>		

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

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

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.773836%	0.748187%	0.743341%	0.719420%
District's proportionate share of the net pension liability (asset)	\$ 128,637,807	133,644,880	114,905,860	87,394,817
District's covered payroll	\$ 49,642,006	47,863,333	46,439,676	43,940,267
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.89%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

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

	2018	2017	2016	2015
Contractually required contribution	\$ 7,820,745	\$ 7,818,616	7,538,477	7,314,249
Contributions in relation to the contractually required contribution	7,820,745	7,818,616	7,538,477	7,314,249
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 49,655,524	49,642,006	47,863,346	46,439,676
Contributions as a percentage of covered payroll	15.75%	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 Statement 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.

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

	2018
District's proportion of the net OPEB liability	1.05561916%
District's proportionate share of the net OPEB liability	\$ 8,282,483
Covered employee payroll	\$ 49,642,006
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	16.68%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

	2018
Contractually required contribution	\$ 353,095
Contributions in relation to the contractually required contribution	353,095
Contribution deficiency (excess)	<u>0</u>
Covered employee payroll	\$ 49,655,524
Contributions as a percentage of covered employee payroll	0.71%

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 Statement 75 was implemented in the FYE 6-30-18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of 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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Pre-Medicare

Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent
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SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,238,324
National school lunch program	10.555	3,889,547
Summer food service program for children	10.559	
Total child nutrition cluster		<u>5,127,871</u>
Total passed-through Mississippi Department of Education		<u>5,127,871</u>
Total U.S. Department of Agriculture		<u>5,127,871</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,707,111
Career and technical education - basic grants to states	84.048	48,686
English language acquisition grants	84.365	48,558
Supporting effective instruction - state grants	84.367	344,851
Student support and academic enrichment program	84.424	1,748
Total		<u>2,150,954</u>
Special education cluster:		
Special education - grants to states	84.027	2,145,869
Special education - preschool grants	84.173	45,738
Total special education cluster		<u>2,191,607</u>
Total passed-through Mississippi Department of Education		<u>4,342,561</u>
Total U.S. Department of Education		<u>4,342,561</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	109,574
Total passed-through Mississippi Department of Education		<u>109,574</u>
Total U.S. Department of Health and Human Services		<u>109,574</u>
Total for All Federal Awards		<u>\$ 9,580,006</u>

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

LAMAR COUNTY SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2018

(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.

LAMAR COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 68,699,259	55,870,543	1,971,269	5,128,470	5,728,977
Other	24,263,260	5,399,458	918,321	174,653	17,770,828
Total	<u>92,962,519</u>	<u>61,270,001</u>	<u>2,889,590</u>	<u>5,303,123</u>	<u>23,499,805</u>
Total number of students	<u>9,915</u>				
Cost per student	<u>\$ 9,376</u>	<u>6,180</u>	<u>291</u>	<u>535</u>	<u>2,370</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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LAMAR COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues				
Local sources	\$ 27,651,981	26,886,718	26,238,117	25,397,438
State sources	44,374,697	46,232,171	44,995,651	42,091,899
Federal sources	250,484	363,515	134,243	247,139
Sixteenth section sources	1,002,977	1,031,467	1,025,692	1,031,976
Total Revenues	<u>73,280,139</u>	<u>74,513,871</u>	<u>72,393,703</u>	<u>68,768,452</u>
Expenditures				
Instruction	45,020,578	45,700,864	43,456,526	42,490,832
Support services	25,112,564	24,053,081	22,786,744	22,334,901
Noninstructional services	27,985	340,261	336,644	308,470
Sixteenth section	114,680	42,340	22,939	17,115
Facilities acquisition and construction	0	0	0	95,359
Debt service				
Interest	371,819	403,601	435,363	467,135
Total Expenditures	<u>70,647,626</u>	<u>70,540,147</u>	<u>67,038,216</u>	<u>65,713,812</u>
Excess (Deficiency) of Revenues Over (Under) Expen	<u>2,632,513</u>	<u>3,973,724</u>	<u>5,355,487</u>	<u>3,054,640</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	7,238	294,191	17,471	4,399
Operating transfers in	854,742	974,789	1,241,006	1,896,537
Operating transfers out	(3,598,216)	(2,638,800)	(2,729,456)	(2,315,461)
Total Other Financing Sources (Uses)	<u>(2,736,236)</u>	<u>(1,369,820)</u>	<u>(1,470,979)</u>	<u>(414,525)</u>
Net Change in Fund Balances	<u>(103,723)</u>	<u>2,603,904</u>	<u>3,884,508</u>	<u>2,640,115</u>
Fund Balances				
Beginning of period, as previously reported	3,576,529	972,625	(2,911,883)	(5,548,198)
Prior period adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,800)</u>
Beginning of period, as restated	<u>3,576,529</u>	<u>972,625</u>	<u>(2,911,883)</u>	<u>(5,551,998)</u>
End of period	<u>\$ 3,472,806</u>	<u>3,576,529</u>	<u>972,625</u>	<u>(2,911,883)</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2018	2017*	2016*	2015*
Revenues				
Local sources	\$ 33,757,544	32,947,850	32,298,237	31,473,809
State sources	48,408,896	49,622,370	48,337,775	45,253,142
Federal sources	8,843,351	7,984,218	7,929,277	7,689,984
Sixteenth section sources	1,671,602	1,732,172	2,055,439	2,168,212
Total Revenues	92,681,393	92,286,610	90,620,728	86,585,147
Expenditures				
Instruction	50,724,348	50,704,938	48,403,532	47,629,322
Support services	30,497,003	29,598,416	28,170,205	26,873,741
Noninstructional services	4,459,437	4,412,982	4,288,622	4,181,032
Sixteenth section	151,743	87,625	35,877	42,289
Facilities acquisition and construction	779,925	2,704,236	3,960,367	10,809,115
Debt service				
Principal	4,500,000	4,340,000	4,189,000	3,635,000
Interest	1,651,136	1,953,241	2,093,373	2,620,587
Other	198,927	6,075	6,075	8,900
Total Expenditures	92,962,519	93,807,513	91,147,051	95,799,986
Excess (Deficiency) of Revenues Over (Under) Expen	(281,126)	(1,520,903)	(526,323)	(9,214,839)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	9,280,000	0	0	0
Insurance loss recoveries	7,238	294,191	163,054	1,344,291
Sale of other property	0	0	0	6,977
Operating transfers in	4,452,958	3,613,589	4,259,305	4,503,610
Other financing sources	264,739	0	0	3,000,000
Operating transfers out	(4,452,958)	(3,613,589)	(4,259,305)	(4,503,610)
Payment to refunded bond escrow agent	(9,279,967)	0	0	0
Other financing uses	(71,067)	0	0	0
Total Other Financing Sources (Uses)	200,943	294,191	163,054	4,351,268
Net Change in Fund Balances	(80,183)	(1,226,712)	(363,269)	(4,863,571)
Fund Balances				
Beginning of period, as previously reported	29,594,946	30,810,060	31,160,095	36,038,778
Prior period adjustments		0	0	(3,800)
Beginning of period, as restated	29,594,946	30,810,060	31,160,095	36,034,978
Increase (Decrease) in reserve for inventory	(16,074)	11,598	13,234	(11,312)
End of period	\$ 29,498,689	29,594,946	30,810,060	31,160,095

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Lamar County School District's basic financial statements, and have issued my report thereon dated December 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
December 31, 2018

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

Report on Compliance for Each Major Federal Program

I have audited Lamar County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lamar County School District's major federal programs for the year ended June 30, 2018. Lamar County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Lamar County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
December 31, 2018

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

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2018, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated December 31, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
December 31, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |
| | A Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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