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**LAWRENCE COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**

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

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INDEPENDENT AUDITOR'S REPORT

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# CHARLES L. SHIVERS

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Lawrence 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 Lawrence County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lawrence 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 Lawrence County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 November 24, 2015, on my consideration of the Lawrence 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 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 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 Lawrence County School District's internal control over financial reporting and compliance.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
November 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of the School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$21,654,175, including a prior period adjustment of (\$23,360,021), which represents a 193.5% decrease from fiscal year 2014. Total net position for 2014 increased \$584,940, including a prior period adjustment of \$720, which represents a 5.5% increase from fiscal year 2013.
- General revenues amounted to \$16,426,679 and \$15,932,248, or 83% and 84% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,380,606, or 17% of total revenues for 2015, and \$3,024,382, or 16% of total revenues for 2014.
- The District had \$18,101,439 and \$18,372,410 in expenses for fiscal years 2015 and 2014; only \$3,380,606 for 2015 and \$3,024,382 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,426,679 for 2015 and \$15,932,248 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$16,683,325 in revenues and \$14,770,404 in expenditures for 2015, and \$15,782,477 in revenues and \$14,794,602 in expenditures in 2014. The General Fund's fund balance increased by \$966,115 from 2014 to 2015, and increased by \$5,755 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$325,720 for 2015 and increased by \$179,961 for 2014. The decrease for 2015 was due to the addition/disposal of capital assets coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$53,268 for 2015 and decreased by \$30,871 for 2014. The increase for 2015 was due to obligations under capital leases. The liability for compensated absences decreased by \$20,191 for 2015 and decreased by \$11,496 for 2014.

#### 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 and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

## Fund Financial Statements

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

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

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

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

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

## Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

## Notes to the financial statements

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

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, schedule of the district’s proportionate share of the net pension liability and schedule of district contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

## Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

### Other Information

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,483,227 as of June 30, 2015.

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 6,839,678	\$ 5,119,011	33.61 %
Restricted assets	2,349,774	1,809,060	29.89 %
Capital assets, net	8,660,942	8,986,662	(3.62) %
<b>Total assets</b>	<b>17,850,394</b>	<b>15,914,733</b>	<b>12.16 %</b>
<b>Deferred outflows of resources</b>	<b>1,962,216</b>	<b>0</b>	<b>N/A</b>
Current liabilities	1,124,750	293,308	283.47 %
Long-term debt outstanding	4,482,829	4,429,561	1.20 %
Net pension liability	20,634,887	0	
<b>Total liabilities</b>	<b>26,242,466</b>	<b>4,722,869</b>	<b>455.65 %</b>
<b>Deferred inflows of resources</b>	<b>4,032,455</b>	<b>0</b>	<b>N/A</b>
<b>Net position:</b>			
Net investment in capital assets	4,312,170	4,711,349	(8.47) %
Restricted	2,152,557	1,688,733	27.47 %
Unrestricted	(16,927,038)	4,791,782	(453.25) %
<b>Total net position</b>	<b>\$ (10,462,311)</b>	<b>\$ 11,191,864</b>	<b>(193.48) %</b>

### Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$16,927,038)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	22,705,126
Unrestricted net position, exclusive of the net pension liability effect	<u>\$5,778,088</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 \$325,720.
- Inclusion of net pension liability of \$20,634,887.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$19,807,285 and \$18,956,630, respectively. The total cost of all programs and services was \$18,093,915 for 2015 and \$18,372,410 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 619,189	\$ 684,180	(9.50) %
Operating grants and contributions	2,761,417	2,340,202	18.00 %
General revenues:			
Property taxes	5,739,104	5,679,450	1.05 %
Grants and contributions not restricted	10,147,135	9,800,125	3.54 %
Investment earnings	34,420	34,811	(1.12) %
Sixteenth section sources	494,022	417,862	18.23 %
Other	11,998	0	N/A
<b>Total revenues</b>	<b>19,807,285</b>	<b>18,956,630</b>	<b>4.49 %</b>
<b>Expenses:</b>			
Instruction	9,536,752	10,331,867	(7.70) %
Support services	6,315,237	6,670,046	(5.32) %
Non-instructional	1,069,201	1,224,323	(12.67) %
Sixteenth section	52,340	43,699	19.77 %
Pension expense	1,022,961	0	N/A
Interest on long-term liabilities	104,948	102,475	2.41 %
<b>Total expenses</b>	<b>18,101,439</b>	<b>18,372,410</b>	<b>(1.47) %</b>
<b>Increase (Decrease) in net position</b>	<b>1,705,846</b>	<b>584,220</b>	<b>191.99 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>11,191,864</b>	<b>10,606,924</b>	<b>5.51 %</b>
<b>Prior Period Adjustment</b>	<b>(23,360,021)</b>	<b>720</b>	<b>(3,244,547.36) %</b>
<b>Net Position, July 1, as restated</b>	<b>(12,168,157)</b>	<b>10,607,644</b>	<b>(214.71) %</b>
<b>Net Position, June 30</b>	<b>\$ (10,462,311)</b>	<b>\$ 11,191,864</b>	<b>(193.48) %</b>

### Governmental activities

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 9,536,752	\$ 10,331,867	(7.70) %
Support services	6,315,237	6,670,046	(5.32) %
Non-instructional	1,069,201	1,224,323	(12.67) %
Sixteenth section	52,340	43,699	19.77 %
Pension Expense	1,022,961	0	N/A
Interest on long-term liabilities	104,948	102,475	2.41 %
<b>Total expenses</b>	<b>\$ 18,101,439</b>	<b>\$ 18,372,410</b>	<b>(1.47) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (8,032,453)	\$ (9,134,602)	(12.07) %
Support services	(5,758,539)	(6,164,587)	(6.59) %
Non-instructional	250,408	97,335	157.26 %
Sixteenth section	(52,340)	(43,699)	19.77 %
Pension Expense	(1,022,961)	0	N/A
Interest on long-term liabilities	(104,948)	(102,475)	2.41 %
<b>Total net (expense) revenue</b>	<b>\$ (14,720,833)</b>	<b>\$ (15,348,028)</b>	<b>(4.09) %</b>

- Net cost of governmental activities (\$14,720,833 for 2015 and \$15,348,028 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$5,739,104 for 2015 and \$5,679,450 for 2014) and state and federal revenues (\$10,147,135 for 2015 and \$9,800,125 for 2014). In addition, there was \$494,022 and \$417,862 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$34,420 for 2015 and \$34,811 for 2014.

#### **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 \$8,130,063, an increase of \$1,431,046, which includes a prior period adjustment of (\$1,439) and an increase in inventory of \$1,999. \$5,732,947 or 70.5% 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 \$2,397,116 or 29.5% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$966,115, including a prior period adjustment of (\$1,439). The fund balance of Other Governmental Funds showed an increase in the amount of \$464,931, which includes an increase in reserve for inventory of \$1,999.

#### **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, 2015, the District's total capital assets were \$17,991,857, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$58,007 from 2014. Total accumulated depreciation as of June 30, 2015, was \$9,330,915, and total depreciation expense for the year was \$438,430, resulting in total net capital assets of \$8,660,942.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 214,837	\$ 214,837	0.00 %
Buildings	5,087,165	5,259,413	(3.28) %
Building improvements	2,189,038	2,294,072	(4.58) %
Improvements other than buildings	199,544	214,407	(6.93) %
Mobile equipment	768,314	815,316	(5.76) %
Furniture and equipment	127,208	188,617	(32.56) %
Leased property under capital leases	74,836	0	N/A
<b>Total</b>	<b>\$ 8,660,942</b>	<b>\$ 8,986,662</b>	<b>(3.62) %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$4,482,829 in outstanding long-term debt, of which \$84,184 is due within one year. The liability for compensated absences decreased \$20,191 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Obligations under capital leases	\$ 73,459	\$ 0	N/A
Obligations under energy efficiency leases	1,275,313	1,275,313	0.00 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	134,057	154,248	(13.09) %
<b>Total</b>	<b>\$ 4,482,829</b>	<b>\$ 4,429,561</b>	<b>1.20 %</b>

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

## CURRENT ISSUES

The Lawrence County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years.

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lawrence County School District, 346 Jolly Drive, Monticello, MS 39654.

BASIC FINANCIAL STATEMENTS

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LAWRENCE COUNTY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2015

Exhibit A

Governmental  
Activities

Assets		
Cash and cash equivalents	\$	6,428,977
Due from other governments		381,528
Other receivables, net		6,197
Inventories		22,976
Restricted assets (Note 4)		2,349,774
Non-depreciable capital assets (Note 5)		214,837
Depreciable capital assets, net (Note 5)		8,446,105
Total Assets		<u>17,850,394</u>
Deferred Outflows of Resources		
Deferred outflow - pensions (Note 7)		1,962,216
Total Deferred Outflows of Resources		<u>1,962,216</u>
Liabilities		
Accounts payable and accrued liabilities		1,011,538
Interest payable on long-term liabilities		65,361
Other payables		47,851
Long-term liabilities (Due within one year) (Note 6)		
Capital related liabilities		73,459
Non-capital related liabilities		10,725
Long-term liabilities (Due beyond one year) (Note 6)		
Capital related liabilities		4,275,313
Non-capital related liabilities		123,332
Net pension liability (Note 7)		20,634,887
Total Liabilities		<u>26,242,466</u>
Deferred Inflows of Resources		
Deferred inflows - pensions (Note 7)		4,032,455
Total Deferred Inflows of Resources		<u>4,032,455</u>
Net Position		
Net investment in capital assets		4,312,170
Restricted net position		
Expendable		
School-based activities		341,988
Debt service		1,521,197
Forestry improvements		174,839
Unemployment benefits		50,917
Non-expendable		
Sixteenth section		63,616
Unrestricted		<u>(16,927,038)</u>
Total Net Position	\$	<u>(10,462,311)</u>

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

LAWRENCE COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 9,536,752	366,968	1,137,331	(8,032,453)
Support services	6,315,237		556,698	(5,758,539)
Non-instructional	1,069,201	252,221	1,067,388	250,408
Sixteenth section	52,340			(52,340)
Pension expense	1,022,961			(1,022,961)
Interest on long-term liabilities	104,948			(104,948)
<b>Total Governmental Activities</b>	<b>18,101,439</b>	<b>619,189</b>	<b>2,761,417</b>	<b>(14,720,833)</b>
<b>General Revenues</b>				
Taxes				
				5,739,091
				13
Unrestricted grants and contributions				
				9,866,813
				280,322
				34,420
				494,022
				11,998
				<u>16,426,679</u>
Changes in Net Position				
				<u>1,705,846</u>
Net Position - Beginning, as previously reported				
				11,191,864
Prior Period Adjustments (Note 9)				
				(23,360,021)
Net Position - Beginning - as restated				
				<u>(12,168,157)</u>
Net Position - Ending				
				<u>\$ (10,462,311)</u>

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

LAWRENCE COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2015

Exhibit C

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 6,428,977	708,286	7,137,263
Cash with fiscal agent (Note 2)		24,026	24,026
Investments (Note 2)		1,617,462	1,617,462
Due from other governments	196,950	184,578	381,528
Due from other funds (Note 3)	127,172		127,172
Advances to other funds (Note 3)	6,000		6,000
Inventories		22,976	22,976
<b>Total Assets</b>	<b>6,759,099</b>	<b>2,557,328</b>	<b>9,316,427</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable & accrued liabilities	846,954	164,584	1,011,538
Due to other funds (Note 3)		126,975	126,975
Other payables		47,851	47,851
<b>Total Liabilities</b>	<b>846,954</b>	<b>339,410</b>	<b>1,186,364</b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventory		22,976	22,976
Permanent fund principal		63,616	63,616
Advances	6,000		6,000
<b>Restricted</b>			
Debt service		1,586,558	1,586,558
Forestry improvements		174,839	174,839
Unemployment benefits		50,917	50,917
Grant activities		319,012	319,012
<b>Assigned</b>			
School activities	173,198		173,198
<b>Unassigned</b>	<b>5,732,947</b>		<b>5,732,947</b>
<b>Total Fund Balances</b>	<b>5,912,145</b>	<b>2,217,918</b>	<b>8,130,063</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,759,099</b>	<b>2,557,328</b>	<b>9,316,427</b>

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

LAWRENCE COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2015

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,130,063

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	214,837	
Buildings	11,080,874	
Building improvements	2,625,859	
Improvement other than buildings	557,213	
Mobile equipment	2,622,762	
Furniture and equipment	808,075	
Leased property under capital lease	82,237	
Accumulated depreciation	<u>(9,330,915)</u>	8,660,942

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	(20,634,887)
-----------------------	--------------

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	1,962,216	
Deferred inflows of resources related to pensions	<u>(4,032,455)</u>	(2,070,239)

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

Qualified school construction bonds payable	(3,000,000)	
Obligations under energy efficiency leases	(1,275,313)	
Obligations under capital lease	(73,459)	
Compensated absences	(134,057)	
Accrued interest payable	<u>(65,361)</u>	(4,548,190)

Total Net Position - Governmental Activities	<u>\$ (10,462,311)</u>
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The notes to the financial statements are an integral part of this statement.

## LAWRENCE COUNTY SCHOOL DISTRICT

Exhibit D

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2015

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
<b>Revenues</b>			
Local sources	\$ 6,107,668	285,040	6,392,708
State sources	9,866,813	430,266	10,297,079
Federal sources	280,322	2,331,156	2,611,478
Sixteenth section sources	428,522	65,500	494,022
<b>Total Revenues</b>	<b>16,683,325</b>	<b>3,111,962</b>	<b>19,795,287</b>
<b>Expenditures</b>			
Instruction	8,862,511	1,453,515	10,316,026
Support services	5,803,824	956,257	6,760,081
Noninstructional services	3,875	1,214,095	1,217,970
Sixteenth section	23,828	28,512	52,340
Debt service			
Interest	75,116	26,400	101,516
Other	1,250	1,075	2,325
<b>Total Expenditures</b>	<b>14,770,404</b>	<b>3,679,854</b>	<b>18,450,258</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,912,921</b>	<b>(567,892)</b>	<b>1,345,029</b>
<b>Other Financing Sources (Uses)</b>			
Inception of capital leases (Note 6)	73,459		73,459
Insurances loss recoveries	1,228		1,228
Sale of transportation equipment	6,773		6,773
Sale of other property	3,997		3,997
Operating transfers in (Note 3)	22,360	1,118,184	1,140,544
Operating transfers out (Note 3)	(1,053,184)	(87,360)	(1,140,544)
<b>Total Other Financing Sources (Uses)</b>	<b>(945,367)</b>	<b>1,030,824</b>	<b>85,457</b>
<b>Net Change in Fund Balances</b>	<b>967,554</b>	<b>462,932</b>	<b>1,430,486</b>
<b>Fund Balances</b>			
July 1, 2014, as previously reported	4,946,030	1,752,987	6,699,017
Prior period adjustments (Note 9)	(1,439)		(1,439)
July 1, 2014, as restated	4,944,591	1,752,987	6,697,578
Increase in reserve for inventory		1,999	1,999
<b>June 30, 2015</b>	<b>\$ 5,912,145</b>	<b>2,217,918</b>	<b>8,130,063</b>

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

LAWRENCE COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2015

Exhibit D-1

	Amount
Net Change in Fund Balance - Governmental Funds	\$ 1,430,486

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	163,459	
Depreciation expense	(438,430)	(274,971)

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.

(14,650)

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:

Capital lease issued	(73,459)	
Accrued interest payable	(1,107)	(74,566)

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	1,640,318	
Pension expense for the current year	(1,397,521)	
Amortization of difference in proportionate shares from 2013 FY to 2014 FY (Note 7)	374,560	617,357

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	20,191	
Change in inventory reserve	1,999	22,190

Changes in Net Position of Governmental Activities	\$ 1,705,846
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The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 28,279
<b>Total Assets</b>	<u>28,279</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	687
Due to other funds (Note 3)	197
Due to student clubs	21,395
Advances (Note 3)	6,000
<b>Total Liabilities</b>	<u>\$ 28,279</u>

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

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LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

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

The school district reports the following major governmental funds:

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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.

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 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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

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

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. Deferred outflows/inflows of resources

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

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

8. Compensated Absences

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

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

9. Long-term Liabilities

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

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

10. Pensions

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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

11. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 7.5% of the revenues of the district maintenance fund (General Fund).

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

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

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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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 \$7,197,880 (which includes \$60,617 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$28,279, 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$24,026.

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Performance US Treasury Fund	n/a	Less than 1	\$ 556,845
US Treasury - SLG Certificate of Indebtness	n/a	Less than 10	1,000,000
Certificates of deposit	n/a	1 year	60,617
<b>Total</b>			<b>\$ 1,617,462</b>

*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, 2015, the district did not have any investments to which this would apply.

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 126,975
	Fiduciary funds	197
Total		<u>\$ 127,172</u>

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Fiduciary funds	<u>\$ 6,000</u>

The purpose of the advances is to provide resources for unforeseen items.

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,053,184
Other governmental funds	General Fund	22,360
	Other governmental funds	65,000
Total		<u>\$ 1,140,544</u>

The transfer out of the General Fund was for the purpose of funding the vocational program, unemployment compensation fund and debt in the Other Governmental Funds. The transfers from the Other Governmental to the General Fund were for indirect costs. The transfer within the Other Governmental was to fund debt.

**Note 4 – Restricted Assets**

Restricted assets consist of an asset (cash of \$708,286, cash with fiscal agent of \$24,026 and investments of \$1,617,462) whose use is legally restricted and may not be used for purposes that support the district's programs, such as 16<sup>th</sup> Section Principal Fund, debt service funds and grant activities.

**Note 5 – Capital Assets**

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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	214,837				214,837
Total non-depreciable capital assets	214,837	0	0	0	214,837
<u>Depreciable capital assets:</u>					
Buildings	11,116,973			(36,099)	11,080,874
Building improvements	2,625,859				2,625,859
Improvements other than buildings	557,213				557,213
Mobile equipment	2,674,634	81,222	(133,094)		2,622,762
Furniture and equipment	860,348		(52,273)		808,075
Leased property under capital leases	0	82,237			82,237
Total depreciable capital assets	17,835,027	163,459	(185,367)	(36,099)	17,777,020
<u>Less accumulated depreciation for:</u>					
Buildings	5,857,560	136,149			5,993,709
Building improvements	331,787	105,034			436,821
Improvements other than buildings	342,806	14,863			357,669
Mobile equipment	1,859,318	114,915	(119,785)		1,854,448
Furniture and equipment	671,731	60,068	(50,932)		680,867
Leased property under capital leases	0	7,401			7,401
Total accumulated depreciation	9,063,202	438,430	(170,717)	0	9,330,915
Total depreciable capital assets, net	8,771,825	(274,971)	(14,650)	(36,099)	8,446,105
Governmental activities capital assets, net	8,986,662	(274,971)	(14,650)	(36,099)	8,660,942

The adjustment to capital assets was to remove certain items previously recorded that do not meet the capitalization threshold.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 204,917
Support services	216,251
Non-instructional	17,262
Total depreciation expense - Governmental activities	\$ 438,430

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Qualified school construction bonds payable	\$ 3,000,000			3,000,000	0
B. Obligations under energy efficiency leases	1,275,313			1,275,313	0
C. Obligations under capital leases	0	73,459		73,459	73,459
D. Compensated absences payable	154,248		20,191	134,057	10,725
Total	\$ 4,429,561	73,459	20,191	4,482,829	84,184

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

**A. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds	0.88	1/26/2010	9/15/2024	\$ 3,000,000	3,000,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$	26,400	26,400
2017		26,400	26,400
2018		26,400	26,400
2019		26,400	26,400
2020		26,400	26,400
2021 – 2025	3,000,000	132,000	3,132,000
Total	\$ 3,000,000	264,000	3,264,000

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

This debt is partially secured by an irrevocable pledge of building and bus fund revenues (\$66,292) the district receives from the State of Mississippi pursuant to the Education Enhancement Funds authorization, Section 37-61-33, Miss. Code Ann. (1972).

**B. Obligations under energy efficiency leases**

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Obligations Under Energy Efficiency Leases. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease, series C	5.89%	12/15/2010	12/15/2019	\$ 1,275,313	1,275,313

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

Year Ending June 30	Principal	Interest	Total
2016	\$	75,116	75,116
2017		75,116	75,116
2018		75,116	75,116
2019		75,116	75,116
2020	1,275,313	75,116	1,350,429
Total	\$ 1,275,313	375,580	1,650,893

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

An energy efficiency lease agreement dated December 1, 2010, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$1,760,164 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund (General Fund) and the QSCB Energy Retirement Fund (Debt Service Fund) and not exceed ten (10) years.

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

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

**C. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of a school bus at a cost of \$82,237 with a down payment of \$8,778. This lease qualifies as a capital lease for accounting purposes.

The option available to the lessee for this lease is to acquire the bus upon payment of the final lease payment.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Lease purchase agreement	2.04	9/16/2001	10/7/2015	\$ 73,459	73,459

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ 73,459	1,513	74,972

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

This debt will be retired from the General Fund.

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing 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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,640,318, \$1,618,204 and \$1,531,539, 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, 2015, the school district reported a liability of \$20,634,887 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the school district's proportion was .17 percent.

The effect of the school district's change in its proportionate share of the net pension liability from June 30, 2013 to June 30, 2014, resulted in the school district recording additional deferred inflows and a corresponding reduction in net pension liability of \$1,415,836. The amortization of the additional deferred inflow over the service life resulted in reduction in deferred inflows and pension expense of \$374,560 for the current year.

For the year ended June 30, 2015, the District recognized pension expense of \$1,022,961. At June 30, 2015 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	\$ 321,898	\$ 0
Net difference between projected and actual earnings on pension plan investments	0	2,991,179

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

Changes of assumptions:

Changes in proportion and differences between District contributions and proportionate share of contributions	0	1,041,276
District contributions subsequent to the measurement date	1,640,318	0
Total	\$ 1,962,216	\$ 4,032,455

\$1,640,318 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,006,564
2017	1,006,564
2018	949,635
2019	747,795

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation -	3.5 percent
Salary increases -	4.25 – 19.50 percent, including inflation
Investment rate of return -	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 28,131,505	\$ 20,634,887	\$ 14,381,594

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

**Note 8 – Sixteenth Section Lands**

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

Year Ending June 30		Amount
2016	\$	38,734
2017		38,537
2018		36,734
2019		14,220
2020		2,215
2021 – 2025		6,238
Total	\$	136,678

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (24,940,687)
Deferred outflows - contributions made during fiscal year 2014	1,618,204
Total prior period adjustment related to GASB 68 and 71	(23,322,483)
2. Adjustments to capital assets	(36,099)
3. General Fund - correction of an error	(1,439)
Total	\$ (23,360,021)

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

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

Fund	Explanation	Amount
General Fund	Correction of an error	<u>\$ (1,439)</u>

**Note 10 – Contingencies**

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

**Note 11 – Risk Management**

Participation in Public Entity Risk Pool. The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 – Qualified School Construction Bonds**

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$1,024,026. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 200,000
2017	200,000
2018	200,000
2019	200,000
2020	1,000,000
2025	200,000
Total	<u>\$ 2,000,000</u>

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 13 – Obligations Under Energy Efficiency Lease**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with energy management services. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The amount on deposit at June 30, 2015 was \$556,845. The amount accumulated in the sinking fund at the end of the nine year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 146,000
2017	146,000
2018	146,000
2019	145,426
Total	<u>\$ 583,426</u>

**Note 14 – Economic Dependency**

The school district is significantly economically dependent on an ad valorem tax payer (Georgia-Pacific Corporation). In the event of a loss of ad valorem taxes from this payer, the district would encounter an economic hardship.

**Note 15 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(16,947,954) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the 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 the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LAWRENCE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the General Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 6,272,590	6,107,668	6,107,668	(164,922)	0
State sources	9,906,201	9,866,813	9,866,813	(39,388)	0
Federal sources	291,912	280,322	280,322	(11,590)	0
Sixteenth section sources	188,500	428,522	428,522	240,022	0
<b>Total Revenues</b>	<b>16,659,203</b>	<b>16,683,325</b>	<b>16,683,325</b>	<b>24,122</b>	<b>0</b>
<b>Expenditures</b>					
Instruction	9,400,663	8,862,511	8,862,511	538,152	0
Support services	6,386,331	5,803,824	5,803,824	582,507	0
Noninstructional services	0	3,875	3,875	(3,875)	0
Sixteenth section	44,200	23,828	23,828	20,372	0
Debt service					
Interest	75,116	75,116	75,116	0	0
Other	1,500	1,250	1,250	250	0
<b>Total Expenditures</b>	<b>15,907,810</b>	<b>14,770,404</b>	<b>14,770,404</b>	<b>1,137,406</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>751,393</b>	<b>1,912,921</b>	<b>1,912,921</b>	<b>1,161,528</b>	<b>0</b>
<b>Other Financing Sources (Uses)</b>					
Inception of capital leases	0	73,459	73,459	73,459	0
Insurance loss recoveries	0	1,228	1,228	1,228	0
Sale of transportation equipment	0	6,773	6,773	6,773	0
Sale of other property	0	3,997	3,997	3,997	0
Operating transfers in	1,741,860	1,279,213	22,360	(462,647)	(1,256,853)
Operating transfers out	(2,351,780)	(2,310,037)	(1,053,184)	41,743	1,256,853
<b>Total Other Financing Sources (Uses)</b>	<b>(609,920)</b>	<b>(945,367)</b>	<b>(945,367)</b>	<b>(335,447)</b>	<b>0</b>
<b>Net Change in Fund Balances</b>			<b>967,554</b>		
<b>Fund Balances</b>					
July 1, 2014, as previously reported			4,946,030		
Prior period adjustments			(1,439)		
July 1, 2014, as restated			<u>4,944,591</u>		
June 30, 2015			<u>\$ 5,912,145</u>		

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

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

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.17%
District's proportionate share of the net pension liability (asset)	<u>\$ 20,634,887</u>
District's covered-employee payroll	<u>\$ 10,274,311</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>200.84%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>67.21%</u>

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

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

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

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

2015

Contractually required contribution \$ 1,640,318

Contributions in relation to the  
contractually required contribution 1,640,318

Contribution deficiency (excess) 0

District's covered-employee payroll \$ 10,414,768

Contributions as a percentage of covered-  
employee payroll 15.75%

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

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

LAWRENCE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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LAWRENCE COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

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	\$ 343,997
National school lunch program	10.555	917,530
Total child nutrition cluster		<u>1,261,527</u>
Total U.S. Department of Agriculture		<u>1,261,527</u>
U.S. Department of Defense		
Direct program:		
Reserve officers' training corps	12.xxx	57,949
Total U.S. Department of Defense		<u>57,949</u>
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.xxx	133,579
Total Federal Communications Commission		<u>133,579</u>
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	565,029
Career and technical education - basic grants to states	84.048	23,960
Rural education	84.358	41,376
Improving teacher quality - state grants	84.367	161,271
Total		<u>791,636</u>
Special education - grants to states	84.027	455,770
Special education - preschool grants	84.173	29,740
Total special education cluster		<u>485,510</u>
Total passed-through Mississippi Department of Education		<u>1,277,146</u>
Total U.S. Department of Education		<u>1,277,146</u>
Total for All Federal Awards		<u>\$ 2,730,201</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, applicable, used for the basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

LAWRENCE COUNTY SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	\$ 14,262,783	\$ 10,483,127	\$ 904,951	\$ 1,162,525	\$ 1,712,180
Other	\$ 4,187,475	\$ 1,483,820	\$ 278,178	\$ 51,689	\$ 2,373,788
Total	<u>\$ 18,450,258</u>	<u>\$ 11,966,947</u>	<u>\$ 1,183,129</u>	<u>\$ 1,214,214</u>	<u>\$ 4,085,968</u>
Total number of students	<u>2,017</u>				
Cost per student	<u>\$ 9,148</u>	<u>\$ 5,933</u>	<u>\$ 587</u>	<u>\$ 602</u>	<u>\$ 2,026</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 school year.

OTHER INFORMATION

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

UNAUDITED

	2015	2014*	2013*	2012*
<b>Revenues</b>				
Local sources	\$ 6,107,668	6,098,136	5,811,986	5,441,098
State sources	9,866,813	9,064,720	9,063,746	8,864,922
Federal sources	280,322	255,678	314,806	347,697
Sixteenth section sources	428,522	363,943	63,286	288,325
<b>Total Revenues</b>	<b>16,683,325</b>	<b>15,782,477</b>	<b>15,253,824</b>	<b>14,942,042</b>
<b>Expenditures</b>				
Instruction	8,862,511	8,692,710	8,690,788	8,812,800
Support services	5,803,824	5,805,772	5,243,532	4,872,214
Noninstructional services	3,875	0	0	0
Sixteenth section	23,828	14,549	3,062	16,415
Facilities acquisition and construction	0	190,826	0	0
Debt service				
Principal	0	15,262	14,905	14,556
Interest	75,116	75,483	76,082	92,009
Other	1,250	0	0	0
<b>Total Expenditures</b>	<b>14,770,404</b>	<b>14,794,602</b>	<b>14,028,369</b>	<b>13,807,994</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,912,921</b>	<b>987,875</b>	<b>1,225,455</b>	<b>1,134,048</b>
<b>Other Financing Sources (Uses)</b>				
Inception of capital leases	73,459	0	0	0
Insurances loss recoveries	1,228	10,000	31,501	7,891
Sale of transportation equipment	6,773	4,396	0	0
Sale of other property	3,997	1,296	0	0
Operating transfers in	22,360	74,408	59,966	3,710,355
Operating transfers out	(1,053,184)	(1,069,547)	(1,084,102)	(996,966)
<b>Total Other Financing Sources (Uses)</b>	<b>(945,367)</b>	<b>(979,447)</b>	<b>(992,635)</b>	<b>2,721,280</b>
<b>Net Change in Fund Balances</b>	<b>967,554</b>	<b>8,428</b>	<b>232,820</b>	<b>3,855,328</b>
<b>Fund Balances</b>				
July 1, as previously reported	4,946,030	4,940,275	4,713,555	863,880
Prior period adjustments	(1,439)	(2,673)	(6,100)	(5,653)
July 1, as restated	4,944,591	4,937,602	4,707,455	858,227
June 30	\$ 5,912,145	4,946,030	4,940,275	4,713,555

\* Source - Prior year audit reports.

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

	UNAUDITED			
	2015	2014*	2013*	2012*
Revenues				
Local sources	\$ 6,392,708	6,398,306	6,138,734	5,778,250
State sources	10,297,079	9,600,969	9,565,817	9,378,411
Federal sources	2,611,478	2,539,750	3,768,570	3,651,327
Sixteenth section sources	494,022	417,605	66,618	332,710
Total Revenues	<u>19,795,287</u>	<u>18,956,630</u>	<u>19,539,739</u>	<u>19,140,698</u>
Expenditures				
Instruction	10,316,026	10,131,473	10,387,401	10,735,960
Support services	6,760,081	6,905,814	7,224,401	6,860,701
Noninstructional services	1,217,970	1,204,007	1,269,085	1,230,995
Sixteenth section	52,340	43,699	62,535	41,380
Facilities acquisition and construction	0	190,826	0	93,197
Debt service				
Principal	0	19,375	37,052	551,559
Interest	101,516	102,024	103,531	125,522
Other	2,325	788	7,724	1,500
Total Expenditures	<u>18,450,258</u>	<u>18,598,006</u>	<u>19,091,729</u>	<u>19,640,814</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,345,029</u>	<u>358,624</u>	<u>448,010</u>	<u>(500,116)</u>
Other Financing Sources (Uses)				
Inception of capital leases	73,459	0	0	0
Insurances loss recoveries	1,228	10,000	31,501	7,891
Sale of transportation equipment	6,773	4,396	0	0
Sale of other property	3,997	1,296	0	0
Operating transfers in	1,140,544	1,229,682	1,209,068	4,772,321
Operating transfers out	(1,140,544)	(1,229,682)	(1,209,068)	(4,772,321)
Total Other Financing Sources (Uses)	<u>85,457</u>	<u>15,692</u>	<u>31,501</u>	<u>7,891</u>
Net Change in Fund Balances	<u>1,430,486</u>	<u>374,316</u>	<u>479,511</u>	<u>(492,225)</u>
Fund Balances				
July 1, as previously reported	6,699,017	6,325,246	5,847,240	6,353,871
Prior period adjustments	(1,439)	720	(6,294)	(5,653)
July 1, as restated	<u>6,697,578</u>	<u>6,325,966</u>	<u>5,840,946</u>	<u>6,348,218</u>
Increase (Decrease) in reserve for inventory	<u>1,999</u>	<u>(1,265)</u>	<u>4,789</u>	<u>(8,753)</u>
June 30	<u>\$ 8,130,063</u>	<u>6,699,017</u>	<u>6,325,246</u>	<u>5,847,240</u>

\* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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# CHARLES L. SHIVERS

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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  
Lawrence 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 Lawrence County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Lawrence County School District's basic financial statements, and have issued my report thereon dated November 24, 2015.

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

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

Ridgeland, MS  
November 24, 2015

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SUBJECT: [Illegible]

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# CHARLES L. SHIVERS

*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

### Independent Auditor's Report

Superintendent and School Board  
Lawrence County School District

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

I have audited Lawrence County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lawrence County School District's major federal programs for the year ended June 30, 2015. Lawrence 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 Lawrence 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Lawrence 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 Lawrence County School District's compliance.

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

In my opinion, Lawrence 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, 2015.

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

Management of Lawrence 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 Lawrence 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 OMB Circular A-133, 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 Lawrence 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Charles L Shivers, CPA, LLC*

Ridgeland, MS  
November 24, 2015

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

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# CHARLES L. SHIVERS

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

Superintendent and School Board  
Lawrence County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of and for the year ended June 30, 2015, which collectively comprise Lawrence County School District's basic financial statements and have issued my report thereon dated November 24, 2015. 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. The district reported \$-0- of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, CPA, LLC*

Ridgeland, MS  
November 24, 2015

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAWRENCE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2015

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 Section 510(a) of Circular A-133?   | No            |
| 7.  | Federal program identified as major program:   |               |
|     | a. Child nutrition cluster   |               |
|     | CFDA #: 10.553   |               |
|     | CFDA #: 10.555   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes           |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No            |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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