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**Lowndes County School District**

Audited Financial Statements  
For the Year Ended June 30, 2014

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Lowndes County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board  
Lowndes County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lowndes County School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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 District's internal control. Accordingly, we 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District, as of June 30, 2014, 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 and budgetary comparison information on pages 8 to 18 and 55 to 59 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by 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 our 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, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014, on our consideration of the Lowndes County School District's internal control over financial reporting and on our 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 our 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 Lowndes County School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
September 5, 2014

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Lowndes County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

The following discussion and analysis of Lowndes County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 increased \$3,819,826, which represents a 6.47% increase from fiscal year 2013. Total net position for 2013 increased \$894,909, which represents a 1.54% increase from fiscal year 2012.
- General revenues amounted to \$43,669,388 and \$40,899,627, or 86% and 85% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,969,626, or 14% of total revenues for 2014, and \$7,254,806, or 15% of total revenues for 2013.
- The District had \$46,819,188 and \$47,259,524 in expenses for fiscal years 2014 and 2013; only \$6,969,626 for 2014 and \$7,254,806 for 2013 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$43,669,388 for 2014 and \$40,899,627 for 2013 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$42,754,772 in revenues and \$38,459,524 in expenditures for 2014, and \$39,375,962 in revenues and \$38,013,973 in expenditures for 2013. The General Fund's fund balance decreased by \$5,839,086 from 2013 to 2014, and increased by \$183,128 from 2012 to 2013.
- Capital assets, net of accumulated depreciation, increased by \$1,537,727 for 2014 and decreased by \$1,604,581 for 2013. The increase for 2014 was due to construction projects that are in progress, the purchase of a couple of buses, computer equipment and other types of equipment.
- Long-term debt increased by \$5,540,000 for 2014 and decreased by \$1,627,547 for 2013. This increase was due primarily to the issuance of two Limited Tax Notes during the year. In addition, the liability for compensated absences increased by \$2,640 for 2014 and increased by \$35,050 for 2013.

**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.

**Lowndes County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**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 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.

**Lowndes County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

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.

**Lowndes County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**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 as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by 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. Assets exceeded liabilities by \$62,835,492 as of June 30, 2014.

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, 2014 and June 30, 2013.

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 34,012,288	24,615,554	38%
Restricted assets	1,759,032	2,711,585	-35%
Capital assets, net	<u>43,896,839</u>	<u>42,359,112</u>	4%
<b>Total assets</b>	<u>79,668,159</u>	<u>69,686,251</u>	14%
Current liabilities	1,092,410	442,968	147%
Long-term debt outstanding	<u>15,650,257</u>	<u>10,107,617</u>	55%
<b>Total liabilities</b>	<u>16,742,667</u>	<u>10,550,585</u>	59%
<b>Deferred inflows of resources</b>			
Mineral Lease	<u>90,000</u>	<u>120,000</u>	-25%
<b>Net position:</b>			
Net investment in capital assets	28,601,839	32,604,112	-12%
Restricted	26,029,657	12,784,680	104%
Unrestricted	<u>8,203,996</u>	<u>13,626,874</u>	-40%
<b>Total net position</b>	<u>\$ 62,835,492</u>	<u>59,015,666</u>	6%

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

- Increase in net capital assets in the amount of \$1,537,727.
- The principal retirement of \$5,960,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$50,639,014 and \$48,154,433, respectively. The total cost of all programs and services was \$46,819,188 for 2014 and \$47,259,524 for 2013.

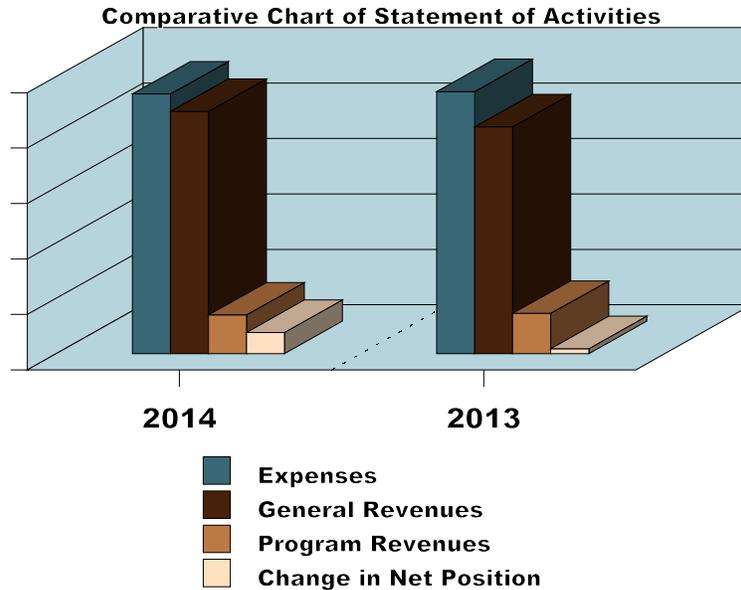
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

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

	<b>Year Ended June 30, 2014</b>	<b>Year Ended June 30, 2013</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,359,675	1,250,032	9%
Operating grants and contributions	<u>5,609,951</u>	<u>6,004,774</u>	-7%
Total program revenues	<u>6,969,626</u>	<u>7,254,806</u>	-4%
General revenues:			
Property taxes	21,858,554	19,354,977	13%
Grants and contributions not restricted	21,171,534	20,940,355	1%
Unrestricted investment earnings	89,515	69,713	28%
Sixteenth section sources	248,835	127,410	95%
Other	<u>300,950</u>	<u>407,172</u>	-26%
Total general revenues	<u>43,669,388</u>	<u>40,899,627</u>	7%
<b>Total revenues</b>	<u>50,639,014</u>	<u>48,154,433</u>	5%
<b>Expenses:</b>			
Instruction	26,861,208	27,937,863	-4%
Support services	17,075,437	16,875,659	1%
Non-instructional	2,275,880	2,066,986	10%
Sixteenth section	77,090	73,679	5%
Interest on long-term liabilities	<u>529,573</u>	<u>305,337</u>	73%
<b>Total expenses</b>	<u>46,819,188</u>	<u>47,259,524</u>	-1%
Increase (Decrease) in net position	<u>3,819,826</u>	<u>894,909</u>	327%
Net Position, July 1	<u>59,015,666</u>	<u>58,120,757</u>	2%
Net Position, June 30	<u>\$ 62,835,492</u>	<u>\$ 59,015,666</u>	6%

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**



**Governmental activities**

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

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

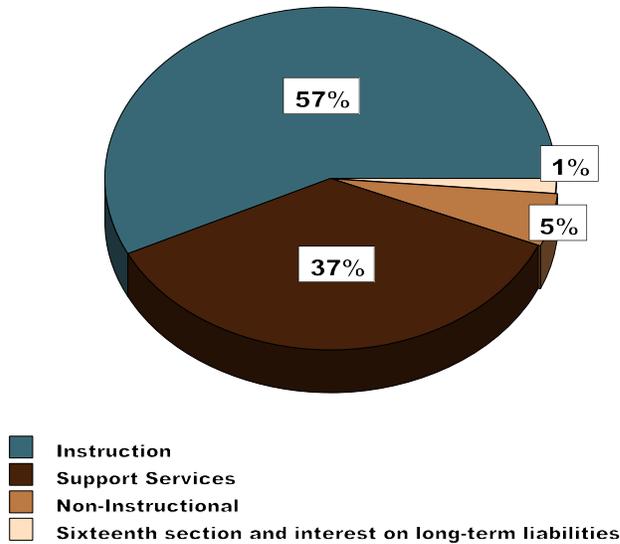
	<b>Total Expenses</b>		
	<b>2014</b>	<b>2013</b>	<b>Percentage Change</b>
Instruction	\$ 26,861,208	27,937,863	-4%
Support services	17,075,437	16,875,659	1%
Non-instructional	2,275,880	2,066,986	10%
Sixteenth section	77,090	73,679	5%
Interest on long-term liabilities	529,573	305,337	73%
<b>Total expenses</b>	<b>\$ 46,819,188</b>	<b>47,259,524</b>	<b>-1%</b>

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Net (Expense) Revenue**

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Instruction	\$ (23,916,210)	(24,495,719)	-2%
Support services	(15,311,178)	(15,253,015)	0%
Non-instructional	(22,789)	118,017	-119%
Sixteenth section	(69,812)	(68,664)	2%
Interest on long-term liabilities	(529,573)	(305,337)	73%
<b>Total net (expense) revenue</b>	<b>\$ (39,849,562)</b>	<b>(40,004,718)</b>	<b>0%</b>

**Expenses per Statement of Activities**



- Net cost of governmental activities (\$39,849,562 for 2014 and \$40,004,718 for 2013) was financed by general revenue, which is made up of primarily property taxes (\$21,858,554 for 2014 and \$19,354,977 for 2013) and state and federal revenues (\$21,171,534 for 2014 and \$20,940,355 for 2013). In addition, there was \$248,835 and \$127,410 in Sixteenth Section sources for 2014 and 2013 respectively.
- Investment earnings amounted to \$89,515 for 2014 and \$69,713 for 2013.

**Lowndes County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 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 \$34,740,983, an increase of \$7,861,023, which includes an increase in inventory of \$24,013. This increase is mainly due to increase in financing sources, notes proceeds.

\$8,033,333, or 23% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$26,707,650, or 77% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$5,839,086. This decrease was due to a transfer made to the Local Construction Fund to fund capital projects under way. The fund balance of Other Governmental Funds showed an increase in the amount of \$276,235, which includes an increase in inventory of \$24,013. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Basic Fund	no increase or decrease
IDEA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 183,022
Local Construction Fund	\$ 9,162,064
Limited Tax Notes 2013 & 2014 Construction Fund	\$ 4,078,788

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**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.

Schedules showing the original and final budget amounts compared to the District's actual financial activity for all other funds is provided in this report as other supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District's total capital assets were \$79,955,008, including land, construction in progress, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$3,449,974 from 2014. Total accumulated depreciation as of June 30, 2014, was \$36,058,169, and total depreciation expense for the year was \$1,930,894, resulting in total net capital assets of \$43,896,839.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 1,549,988	1,549,988	0%
Construction in progress	2,834,007		
Buildings	31,143,169	32,073,786	-3%
Building improvements	1,050,767	1,112,577	-6%
Improvements other than buildings	3,493,273	3,698,470	-6%
Mobile equipment	3,372,757	3,575,585	-6%
Furniture and equipment	452,878	348,706	30%
<b>Total</b>	<u>\$ 43,896,839</u>	<u>42,359,112</u>	4%

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

**Lowndes County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Debt Administration.** At June 30, 2014, the District had \$15,650,257 in outstanding long-term debt, of which \$1,110,000 is due within one year. The liability for compensated absences increased \$2,640 from the prior year.

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 795,000	1,565,000	-49%
Three mill notes payable	0	5,190,000	-100%
Limited tax notes payable	11,500,000		N/A
Qualified school construction bonds payable	3,000,000	3,000,000	0%
Compensated absences payable	355,257	352,617	1%
<b>Total</b>	<u>\$ 15,650,257</u>	<u>10,107,617</u>	55%

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

**CURRENT ISSUES**

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

Enrollment for the 2013-2014 year increased by 7% to 5,069 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

**LOWNDES COUNTY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 32,402,312
<i>Cash with fiscal agents</i>	11,829
<i>Due from other governments</i>	1,496,456
<i>Inventories</i>	96,489
<i>Prepaid items</i>	5,202
<i>Restricted assets</i>	1,759,032
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	1,549,988
<i>Construction in progress</i>	2,834,007
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	31,143,169
<i>Building improvements</i>	1,050,767
<i>Improvements other than buildings</i>	3,493,273
<i>Mobile equipment</i>	3,372,757
<i>Furniture and equipment</i>	452,878
Total Assets	<u>79,668,159</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	926,532
<i>Interest payable on long-term liabilities</i>	152,073
<i>Other payables</i>	13,805
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	1,110,000
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	14,185,000
<i>Non-capital related liabilities</i>	355,257
Total Liabilities	<u>16,742,667</u>
<b>Deferred Inflows of Resources</b>	
Deferred mineral lease	90,000
Total Deferred Inflows of Resources	<u>90,000</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	28,601,839
Restricted:	
Expendable:	
School based activities	5,561,936
Debt service	2,486,756
Capital projects	17,331,225
Unemployment benefits	112,584
Forestry improvements	69,722
Sixteenth section	15,833
Non-expendable:	
Sixteenth section	451,601
Unrestricted	8,203,996
Total Net Position	<u>\$ 62,835,492</u>

The accompanying notes are an integral part of this statement.

## LOWNDES COUNTY SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities:				
<i>Instruction</i>	26,861,208	869,585	2,075,413	(23,916,210)
<i>Support services</i>	17,075,437	--	1,764,259	(15,311,178)
<i>Noninstructional services</i>	2,275,880	482,812	1,770,279	(22,789)
<i>Sixteenth section</i>	77,090	7,278	--	(69,812)
<i>Interest on long-term liabilities</i>	529,573	--	--	(529,573)
Total Governmental Activities	<u>\$ 46,819,188</u>	<u>\$ 1,359,675</u>	<u>\$ 5,609,951</u>	<u>(39,849,562)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				20,960,917
<i>Debt purpose levies</i>				897,637
Unrestricted grants and contributions:				
<i>State</i>				20,518,135
<i>Federal</i>				653,399
<i>Unrestricted investment earnings</i>				89,515
<i>Sixteenth section sources</i>				248,835
<i>Other</i>				300,950
Total General Revenues				<u>43,669,388</u>
Change in Net Position				<u>3,819,826</u>
Net Position - Beginning				59,015,666
Net Position - Ending				<u>\$ 62,835,492</u>

The accompanying notes are an integral part of this statement.

**LOWNDES COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	General Fund	Title I Basic Fund	IDEA Part B Fund
<b>Assets</b>			
<i>Cash and cash equivalents</i>	\$ 7,648,114	\$ --	\$ --
<i>Cash with fiscal agents</i>	11,829	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	645,106	218,853	152,728
<i>Due from other funds</i>	405,662	--	--
<i>Inventories</i>	--	--	--
<i>Prepaid items</i>	5,202	--	--
<b>Total Assets</b>	<b>\$ 8,715,913</b>	<b>\$ 218,853</b>	<b>\$ 152,728</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<i>Accounts payable and accrued liabilities</i>	\$ 156,660	\$ 7,900	\$ 106
<i>Due to other funds</i>	--	210,953	152,622
<i>Unearned revenue</i>	--	--	--
<i>Other payables</i>	--	--	--
<b>Total Liabilities</b>	<b>156,660</b>	<b>218,853</b>	<b>152,728</b>
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
<i>Permanent fund principal</i>	--	--	--
<i>Inventory</i>	--	--	--
<i>Prepaid items</i>	5,202	--	--
<b>Restricted:</b>			
<i>Unemployment benefits</i>	--	--	--
<i>Forestry improvement purposes</i>	--	--	--
<i>Capital projects</i>	--	--	--
<i>Debt service</i>	--	--	--
<i>Grant activities</i>	--	--	--
<i>Food services</i>	--	--	--
<i>Sixteenth section interest</i>	--	--	--
<b>Assigned:</b>			
<i>Activity funds</i>	477,012	--	--
<i>Flexible account</i>	43,706	--	--
<b>Unassigned</b>	<b>8,033,333</b>	<b>--</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>8,559,253</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,715,913</b>	<b>\$ 218,853</b>	<b>\$ 152,728</b>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Local Construction Fund	Limited Tax Notes 2013 & 2014 Constr. Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,332,729	\$ 13,252,437	\$ 4,834,336	\$ 3,046,628	\$ 33,114,244
--	--	--	--	11,829
--	--	--	1,047,100	1,047,100
--	--	--	479,769	1,496,456
--	--	--	--	405,662
--	--	--	96,489	96,489
--	--	--	--	5,202
<u>\$ 4,332,729</u>	<u>\$ 13,252,437</u>	<u>\$ 4,834,336</u>	<u>\$ 4,669,986</u>	<u>\$ 36,176,982</u>
\$ --	\$ --	\$ 755,548	\$ 6,318	\$ 926,532
--	--	--	42,087	405,662
90,000	--	--	--	90,000
--	--	--	13,805	13,805
<u>90,000</u>	<u>--</u>	<u>755,548</u>	<u>62,210</u>	<u>1,435,999</u>
--	--	--	467,434	467,434
--	--	--	96,489	96,489
--	--	--	--	5,202
--	--	--	112,584	112,584
--	--	--	69,722	69,722
--	13,252,437	4,078,788	--	17,331,225
--	--	--	2,638,829	2,638,829
--	--	--	19,452	19,452
--	--	--	1,120,780	1,120,780
4,242,729	--	--	82,486	4,325,215
--	--	--	--	477,012
--	--	--	--	43,706
--	--	--	--	8,033,333
<u>4,242,729</u>	<u>13,252,437</u>	<u>4,078,788</u>	<u>4,607,776</u>	<u>34,740,983</u>
<u>\$ 4,332,729</u>	<u>\$ 13,252,437</u>	<u>\$ 4,834,336</u>	<u>\$ 4,669,986</u>	<u>\$ 36,176,982</u>

**LOWNDES COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014*

Total fund balances for governmental funds	\$ 34,740,983
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	43,896,839
Liabilities due in one year are recognized in the SNP but not in the funds.	(1,110,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,000,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(152,073)
Payables for notes which are not due in the current period are not reported in the funds.	(11,185,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(355,257)</u>
Net position of governmental activities	<u>\$ 62,835,492</u>

The accompanying notes are an integral part of this statement.

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**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Title I Basic Fund	IDEA Part B Fund
<b>Revenues:</b>			
Local sources	\$ 21,968,644	\$ --	\$ --
Intermediate sources	31,475	--	--
State sources	20,101,254	--	--
Federal sources	653,399	1,322,395	997,700
Sixteenth section sources	--	--	--
Total Revenues	<u>42,754,772</u>	<u>1,322,395</u>	<u>997,700</u>
<b>Expenditures:</b>			
Instruction	23,205,426	366,414	399,114
Support services	15,254,098	910,214	563,345
Noninstructional services	--	13,283	2,248
Sixteenth section	--	--	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Other	--	--	--
Total Expenditures	<u>38,459,524</u>	<u>1,289,911</u>	<u>964,707</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,295,248</u>	<u>32,484</u>	<u>32,993</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds of notes issued	--	--	--
Transfers in	73,316	--	--
Other financing sources	--	--	--
Transfers out	(10,207,650)	(32,484)	(32,993)
Other financing uses	--	--	--
Total Other Financing Sources (Uses)	<u>(10,134,334)</u>	<u>(32,484)</u>	<u>(32,993)</u>
Net Change in Fund Balances	<u>(5,839,086)</u>	<u>--</u>	<u>--</u>
<b>Fund Balances:</b>			
July 1, 2013,	14,398,339	--	--
Increase (decrease) in inventory	--	--	--
June 30, 2014	<u>\$ 8,559,253</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Interest Fund	Local Construction Fund	Limited Tax Notes 2013 & 2014 Constr. Fund	Other Governmental Funds	Total Governmental Funds
\$ 13,074	\$ --	\$ 9,859	\$ 1,594,403	\$ 23,585,980
--	--	--	--	31,475
--	--	--	1,444,235	21,545,489
--	--	--	2,246,463	5,219,957
222,257	--	--	33,856	256,113
<u>235,331</u>	<u>--</u>	<u>9,859</u>	<u>5,318,957</u>	<u>50,639,014</u>
--	--	--	1,866,546	25,837,500
--	--	--	265,657	16,993,314
--	--	--	2,091,273	2,106,804
52,309	--	--	24,781	77,090
--	32,936	2,801,071	--	2,834,007
--	--	4,630,000	1,330,000	5,960,000
--	--	--	490,089	490,089
--	--	--	3,200	3,200
<u>52,309</u>	<u>32,936</u>	<u>7,431,071</u>	<u>6,071,546</u>	<u>54,302,004</u>
<u>183,022</u>	<u>(32,936)</u>	<u>(7,421,212)</u>	<u>(752,589)</u>	<u>(3,662,990)</u>
--	--	11,500,000	--	11,500,000
--	9,195,000	--	1,502,261	10,770,577
--	--	--	214,993	214,993
--	--	--	(497,450)	(10,770,577)
--	--	--	(214,993)	(214,993)
<u>--</u>	<u>9,195,000</u>	<u>11,500,000</u>	<u>1,004,811</u>	<u>11,500,000</u>
<u>183,022</u>	<u>9,162,064</u>	<u>4,078,788</u>	<u>252,222</u>	<u>7,837,010</u>
4,059,707	4,090,373	--	4,331,541	26,879,960
--	--	--	24,013	24,013
<u>\$ 4,242,729</u>	<u>\$ 13,252,437</u>	<u>\$ 4,078,788</u>	<u>\$ 4,607,776</u>	<u>\$ 34,740,983</u>

**LOWNDES COUNTY SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014*

Net change in fund balances - total governmental funds	\$ 7,837,010
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,468,809
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,930,894)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(188)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	770,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	5,190,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(36,284)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	24,013
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(2,640)
Proceeds of notes are recognized as other financial resources in funds but not revenue in SOA.	<u>(11,500,000)</u>
Change in net position of governmental activities	<u>\$ 3,819,826</u>

The accompanying notes are an integral part of this statement.

**LOWNDES COUNTY SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2014

	Private-purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
<i>Cash and cash equivalents</i>	\$ 10,818	\$ 1,871,235
Total Assets	<u>\$ 10,818</u>	<u>\$ 1,871,235</u>
<b>Liabilities</b>		
<i>Accounts payable &amp; accrued liabilities</i>	\$ 500	\$ 1,852,459
<i>Due to student clubs</i>	--	18,776
Total Liabilities	<u>\$ 500</u>	<u>\$ 1,871,235</u>
<b>Net Position</b>		
Reserved for endowments	\$ 10,318	
Total Net Position	<u>\$ 10,318</u>	

The accompanying notes are an integral part of this statement.

**LOWNDES COUNTY SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED JUNE 30, 2014*

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ 34
Total Additions	<u>34</u>
<b>Deductions:</b>	
Scholarship Awards	1,150
Total Deductions	<u>1,150</u>
Change in Net Position	<u>(1,116)</u>
July 1, 2013	11,434
June 30, 2014	<u>\$ 10,318</u>

The accompanying notes are an integral part of this statement.

**Lowndes County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### **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 board is elected by the citizens of each defined county district.

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

#### **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.

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

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:

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

Title I Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA Part B Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Interest Fund - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are either shared with other school districts or transferred to the district's General Fund per specific statutory board order.

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**Local Construction Fund** - This capital project fund is used to account for the expenditures associated with the construction projects and is financed with local sources.

**Limited Tax Notes 2013 & 2014 Construction Fund** - This capital project fund is used to account for the expenditures associated with the construction projects and is financed with note proceeds.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

**Payroll Clearing Fund** - This fund serves as a clearing fund for payroll type transactions.

**Student Club Funds** - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

Capital Project Funds - Capital Project 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.

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

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.

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### E. Assets, liabilities, and net position/fund balances

#### 1. Cash, Cash equivalents and Investments

##### Cash and cash equivalents

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

##### Investments

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

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

Investments for the district are reported at fair market value.

#### 2. Receivables and payables

Activity 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.

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

6. Capital Assets

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

# Lowndes County School District

## Notes to the Financial Statements For the Year Ended June 30, 2014

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

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

The following schedule details the capitalization thresholds:

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

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 and so will not be recognized as an inflow of resources (revenue) until then. The school district has a deferred inflow which is presented as a deferred inflow for a mineral lease. See Note 14 for further details.

### 8. Compensated Absences

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

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 10. 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

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

*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 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/expense 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 goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 15% of the current year's General Fund's revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### **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

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$33,114,244 and \$1,882,053, respectively. The bank balance was \$36,774,163.

*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. As of June 30, 2014, none of the district's bank balance of \$36,774,163 was exposed to custodial credit risk.

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$11,829.

#### Investments

As of June 30, 2014 the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities in (years)</u>	<u>Fair Value</u>
Trustmark Performance U.S. Treasury	A	Less than 1 year	\$ 645,000
Hancock Horizon Treasury Securities	A	Less than 1 year	402,100
Total			<u>\$ 1,047,100</u>

These investments are held by fiscal agents.

*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. The investments in the Hancock Horizon Treasury Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government. As of June 30, 2014, the district did not have any investments to which this would apply.

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

#### Note 3 - Inter-fund Transfers

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

**Lowndes County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 210,953
	IDEA Part B Fund	152,622
	Other Governmental Funds	<u>42,087</u>
Total		<u>\$ 405,662</u>

The purpose of the payables in Title I, IDEA and other governmental funds was to eliminate fund balance. Therefore, the General Fund makes a year end loan to these funds.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Basic Fund	\$ 32,484
	IDEA Part B Fund	32,993
	Other Governmental Funds	7,839
Local Construction Fund	General Fund	9,195,000
Other Governmental Funds	General Fund	1,012,650
Other Governmental Funds	Other Governmental Funds	<u>489,611</u>
Total		<u>\$ 10,770,577</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

**Note 4 - Restricted Assets**

The restricted assets represent the cash balance, totaling \$467,434, of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs.

In addition, the restricted assets represents the investment balance totaling \$402,100 of the MAEP Retirement Fund. The remainder of the restricted assets consists of the cash and investment balance totaling \$244,498 and \$645,000, respectively, of the Qualified School Construction Bond Sinking Fund.

**Note 5 - Capital Assets**

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

# Lowndes County School District

## Notes to the Financial Statements For the Year Ended June 30, 2014

	Balance 7-1-2013	Additions	Retirements	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,549,988			1,549,988
Construction in progress		2,834,007		2,834,007
Total non-depreciable capital assets	<u>1,549,988</u>	<u>2,834,007</u>	<u>0</u>	<u>4,383,995</u>
<u>Depreciable capital assets:</u>				
Buildings	59,393,147			59,393,147
Building improvements	1,545,247			1,545,247
Improvements other than buildings	5,259,581			5,259,581
Mobile equipment	6,715,621	304,056		7,019,677
Furniture and equipment	2,041,450	330,746	18,835	2,353,361
Total depreciable capital assets	<u>74,955,046</u>	<u>634,802</u>	<u>18,835</u>	<u>75,571,013</u>
<u>Less accumulated depreciation for:</u>				
Buildings	27,319,361	930,617		28,249,978
Building improvements	432,670	61,810		494,480
Improvements other than buildings	1,561,111	205,197		1,766,308
Mobile equipment	3,140,036	506,884		3,646,920
Furniture and equipment	1,692,744	226,386	18,647	1,900,483
Total accumulated depreciation	<u>34,145,922</u>	<u>1,930,894</u>	<u>18,647</u>	<u>36,058,169</u>
Total depreciable capital assets, net	<u>40,809,124</u>	<u>(1,296,092)</u>	<u>188</u>	<u>39,512,844</u>
Governmental activities capital assets, net	<u>\$ 42,359,112</u>	<u>1,537,915</u>	<u>188</u>	<u>43,896,839</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 1,351,626
Support services	386,179
Non-instructional	193,089
Total depreciation expense	<u>\$ 1,930,894</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2014</u>	<u>Remaining Commitment</u>
Career Center	\$ 36,936	*
NHE School & Caledonia Campus Master	1,003,746	20,496,254
WLE/WLH Project	1,743,625	674,682
NHH New Football Field House	49,700	*
Total	<u>\$ 2,834,007</u>	<u>21,170,936</u>

**Lowndes County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

\* Remaining construction was to be funded through a bond issue which failed to pass. The district will attempt to pass approval for these bonds again.

**Note 6 - Long-Term Liabilities**

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,565,000		770,000	795,000	795,000
B. Three mill notes payable	5,190,000		5,190,000	0	
C. Limited tax notes payable		11,500,000		11,500,000	315,000
D. Qualified school construction bonds payable	3,000,000			3,000,000	
E. Compensated absences payable	352,617	2,640		355,257	
Total	\$ 10,107,617	11,502,640	5,960,000	15,650,257	1,110,000

**A. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2008	3-3.25%	07-10-08	08-01-14	\$ <u>4,290,000</u>	<u>795,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ <u>795,000</u>	<u>12,919</u>	<u>807,919</u>

This debt will be retired from the MAEP Retirement Fund.

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

**Lowndes County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

**B. Three mill notes payable**

This debt was refinanced during the year and retired from the Three Mill Debt Series Fund.

**C. Limited tax notes payable**

Notes currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes					
Series 2013	2.0-4.0%	12-20-13	10-01-31	\$ 9,870,000	9,870,000
Limited tax notes,					
Series 2014	2-3.63%	04-15-14	10-01-31	<u>1,630,000</u>	<u>1,630,000</u>
Total				<u>\$ 11,500,000</u>	<u>11,500,000</u>

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

1. Series 2013:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 315,000	318,520	633,520
2016	365,000	311,720	676,720
2017	370,000	304,370	674,370
2018	375,000	296,920	671,920
2019	385,000	289,320	674,320
2020 - 2024	2,075,000	1,292,950	3,367,950
2025 - 2029	4,250,000	863,840	5,113,840
2030 - 2032	<u>1,735,000</u>	<u>155,900</u>	<u>1,890,900</u>
Total	\$ <u>9,870,000</u>	<u>3,833,540</u>	<u>13,703,540</u>

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

**Lowndes County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2014

2. Series 2014:

Year Ending June 30	Principal	Interest	Total
2015	\$	43,646	43,646
2016	75,000	44,662	119,662
2017	100,000	42,912	142,912
2018	100,000	40,912	140,912
2019	100,000	38,912	138,912
2020 - 2024	510,000	159,760	669,760
2025 - 2029	455,000	87,586	542,586
2030 - 2032	290,000	16,132	306,132
Total	\$ <u>1,630,000</u>	<u>474,522</u>	<u>2,104,522</u>

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

Total limited tax notes payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 315,000	362,166	677,166
2016	440,000	356,382	796,382
2017	470,000	347,282	817,282
2018	475,000	337,832	812,832
2019	485,000	328,232	813,232
2020 - 2024	2,585,000	1,452,710	4,037,710
2025 - 2029	4,705,000	951,426	5,656,426
2030 - 2032	2,025,000	172,032	2,197,032
Total	\$ <u>11,500,000</u>	<u>4,308,062</u>	<u>15,808,062</u>

**D. Qualified School Construction Bonds Payable**

As more fully explained in Note 13, debt has been issued by the School District that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds	.96%	12-17-09	09-15-24	\$ <u>3,000,000</u>	<u>3,000,000</u>

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### E. Compensated absences payable

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

### Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating Leases:

The school district has several operating leases for the following:

1. Copying equipment
2. Postage machines
3. Trailers

Lease expenditures for the year ended June 30, 2014, amounted to \$103,697.

Future lease payments for these leases are as follows:

Year Ending June 30,	Amount
2015	\$ 34,919
2016	33,007
2017	25,361
2018	3,894
2019	1,530
2020	116
Total	\$ <u>98,827</u>

### Note 8 - Prior Year Defeasance of Debt

In prior years, the Lowndes County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2013, \$770,000 of bonds outstanding are defeased.

## Lowndes County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2014

### Note 9 - Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of 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.

Funding Policy. 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, 2014 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, 2014, 2013 and 2012 were \$3,915,596, \$3,727,065, and \$2,998,908, respectively, which equaled the required contributions for each year.

### Note 10 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2015	\$	117,090
2016		112,149
2017		110,487
2018		105,943
2019		103,892
2020 - 2024		519,218
2025 - 2029		513,333
2030 - 2034		488,562

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

2035 - 2039	349,143
2040 - 2044	202,279
2045 - 2049	138,646
2050 - 2054	<u>44,704</u>
Total	<u>\$ 2,805,446</u>

#### Note 11 - Risk Management

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

#### Note 12 - Contingencies

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

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### Note 13 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district

## Lowndes County School District

### Notes to the Financial Statements For the Year Ended June 30, 2014

may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

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, 2014 was \$645,000. 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
2015	\$	215,000
2016		215,000
2017		215,000
2018		215,000
2019		215,000
2020 - 2024		1,075,000
2025		<u>215,000</u>
Total	\$	<u><u>2,365,000</u></u>

#### Note 14 - Effect of Deferred Amounts of Net Position

The unrestricted net position amount of \$8,203,996 includes the effect of deferring the recognition of revenue from a mineral lease. The District received \$150,000 up-front during the fiscal year ended June 30, 2013 for a 5-year mineral lease. The \$90,000 balance of the deferred inflow of resources at June 30, 2014, will be recognized as revenue and increase unrestricted net position over the remaining 3 years of the agreement.

#### Note 15 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated July 1, 2009 Alternative Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Columbus School District and Lowndes County School District.

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

## **Lowndes County School District**

### **Notes to the Financial Statements For the Year Ended June 30, 2014**

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

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

#### **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 Lowndes County 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

**LOWNDES COUNTY SCHOOL DISTRICT**

**Exhibit 1**

Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 20,084,700	21,968,644	21,968,644	1,883,944	-
Intermediate sources	-	31,475	31,475	31,475	-
State sources	19,951,300	20,101,253	20,101,254	149,953	1
Federal sources	592,113	653,399	653,399	61,286	-
<b>Total Revenues</b>	<b>40,628,113</b>	<b>42,754,771</b>	<b>42,754,772</b>	<b>2,126,658</b>	<b>1</b>
<b>Expenditures:</b>					
Instruction	23,959,776	23,205,426	23,205,426	754,350	-
Support services	16,634,383	15,254,097	15,254,098	1,380,286	(1)
<b>Total Expenditures</b>	<b>40,594,159</b>	<b>38,459,523</b>	<b>38,459,524</b>	<b>2,134,636</b>	<b>(1)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,954	4,295,248	4,295,248	4,261,294	-
<b>Other Financing Sources (Uses):</b>					
Transfers In	3,205,533	3,037,702	73,316	(167,831)	(2,964,386)
Transfers Out	(4,122,298)	(13,172,037)	(10,207,650)	(9,049,739)	2,964,387
<b>Total Other Financing Sources (Uses)</b>	<b>(916,765)</b>	<b>(10,134,335)</b>	<b>(10,134,334)</b>	<b>(9,217,570)</b>	<b>1</b>
<b>Net Change in Fund Balances</b>	<b>(882,811)</b>	<b>(5,839,087)</b>	<b>(5,839,086)</b>	<b>(4,956,276)</b>	<b>1</b>
<b>Fund Balances:</b>					
July 1, 2013	12,912,357	14,398,339	14,398,339	1,485,982	-
June 30, 2014	\$ 12,029,546	8,559,252	8,559,253	(3,470,294)	1

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**Exhibit 2**

Budgetary Comparison Schedule  
 Title I Basic Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,136,913	982,305	1,322,395	(154,608)	340,090
Total Revenues	<u>1,136,913</u>	<u>982,305</u>	<u>1,322,395</u>	<u>(154,608)</u>	<u>340,090</u>
<b>Expenditures:</b>					
Instruction	142,077	226,046	366,414	(83,969)	(140,368)
Support services	760,037	716,312	910,214	43,725	(193,902)
Noninstructional services	-	7,463	13,283	(7,463)	(5,820)
Total Expenditures	<u>902,114</u>	<u>949,821</u>	<u>1,289,911</u>	<u>(47,707)</u>	<u>(340,090)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>234,799</u>	<u>32,484</u>	<u>32,484</u>	<u>(202,315)</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Transfers Out	-	(32,484)	(32,484)	(32,484)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(32,484)</u>	<u>(32,484)</u>	<u>(32,484)</u>	<u>-</u>
Net Change in Fund Balances	<u>234,799</u>	<u>-</u>	<u>-</u>	<u>(234,799)</u>	<u>-</u>
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	<u>\$ 234,799</u>	<u>-</u>	<u>-</u>	<u>(234,799)</u>	<u>-</u>

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**Exhibit 3**

Budgetary Comparison Schedule  
 IDEA Part B Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 964,550	997,700	997,700	33,150	-
Total Revenues	<u>964,550</u>	<u>997,700</u>	<u>997,700</u>	<u>33,150</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	335,425	399,115	399,114	(63,690)	1
Support services	419,132	563,345	563,345	(144,213)	-
Noninstructional services	-	2,248	2,248	(2,248)	-
Total Expenditures	<u>754,557</u>	<u>964,708</u>	<u>964,707</u>	<u>(210,151)</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>209,993</u>	<u>32,992</u>	<u>32,993</u>	<u>(177,001)</u>	<u>1</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	-	(32,993)	(32,993)	(32,993)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(32,993)</u>	<u>(32,993)</u>	<u>(32,993)</u>	<u>-</u>
Net Change in Fund Balances	<u>209,993</u>	<u>(1)</u>	<u>-</u>	<u>(209,994)</u>	<u>1</u>
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	<u>\$ 209,993</u>	<u>(1)</u>	<u>-</u>	<u>(209,994)</u>	<u>1</u>

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**Exhibit 4**

Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ -	13,076	13,074	13,076	(2)
Sixteenth section sources	133,313	222,256	222,257	88,943	1
Total Revenues	133,313	235,332	235,331	102,019	(1)
<b>Expenditures:</b>					
Sixteenth section	57,785	52,309	52,309	5,476	-
Total Expenditures	57,785	52,309	52,309	5,476	-
Excess (Deficiency) of Revenues Over Expenditures	75,528	183,023	183,022	107,495	(1)
Net Change in Fund Balances	75,528	183,023	183,022	107,495	(1)
Fund Balances:					
July 1, 2013	4,098,915	4,059,707	4,059,707	(39,208)	-
June 30, 2014	\$ 4,174,443	4,242,730	4,242,729	68,287	(1)

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

## **Lowndes County School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2014

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

## OTHER SUPPLEMENTARY INFORMATION

**Lowndes County School District**  
 Schedule of Expenditure of Federal Awards  
 For the Year Ended June 30, 2014

**Schedule 1**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 401,031
National School Lunch Program	10.555	1,280,312
Summer Food Service Program for Children	10.559	30,755
Total Child Nutrition Cluster		<u>1,712,098</u>
Total passed-through Mississippi Department of Education		<u>1,712,098</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,712,098</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,985
<b>Total U.S. Department of Defense</b>		<u>50,985</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	67,365
<b>Total Federal Communications Commission</b>		<u>67,365</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,322,395
Impact Aid	84.041	42,157
Career and Technical Education - Basic Grants to States	84.048	49,034
Education for Homeless Children and Youth	84.196	7,551
Rural Education	84.358	59,485
English Language Acquisition - State Grants	84.365	348
Improving Teacher Quality - State Grants	84.367	333,694
Subtotal		<u>1,814,664</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	997,700
Special Education - Preschool Grants	84.173	33,270
Total Special Education Cluster		<u>1,030,970</u>
Total passed-through the Mississippi Department of Education		<u>2,845,634</u>
<b>Total U.S. Department of Education</b>		<u>2,845,634</u>
Total for All Federal Awards		\$ <u><u>4,676,082</u></u>

**NOTES TO SCHEDULE**

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

**Lowndes County School District**

**Schedule 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2014

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 34,234,373	26,647,582	1,028,853	2,613,967	3,943,971
Other	20,067,631	3,061,070	575,455	54,042	16,377,064
Total	<u>\$ 54,302,004</u>	<u>29,708,652</u>	<u>1,604,308</u>	<u>2,668,009</u>	<u>20,321,035</u>
Total number of students *	<u>5,069</u>				
Cost per student	<u>\$ 10,712</u>	<u>5,861</u>	<u>316</u>	<u>526</u>	<u>4,009</u>

For purpose of this schedule, the following columnar descriptions are applicable:

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 expenditures functions not included in Instruction or Administration Categories.

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

## OTHER INFORMATION

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

"UNAUDITED"

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 21,968,644	18,942,505	18,911,134	18,775,238
Intermediate sources	31,475	-	-	-
State sources	20,101,254	19,714,509	19,880,813	19,229,105
Federal sources	653,399	718,948	768,052	723,268
Total Revenues	<u>42,754,772</u>	<u>39,375,962</u>	<u>39,559,999</u>	<u>38,727,611</u>
<b>Expenditures:</b>				
Instruction	23,205,426	23,694,258	21,261,548	18,942,659
Support services	15,254,098	14,319,715	15,864,136	13,001,063
Total Expenditures	<u>38,459,524</u>	<u>38,013,973</u>	<u>37,125,684</u>	<u>31,943,722</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,295,248</u>	<u>1,361,989</u>	<u>2,434,315</u>	<u>6,783,889</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	-	-	8,855
Sale of transportation equipment	-	40,443	85,500	-
Operating transfers in	73,316	91,415	5,092,408	115,370
Operating transfers out	(10,207,650)	(1,310,719)	(1,125,165)	(6,142,761)
Other financing uses	-	-	(135,000)	-
Total Other Financing Sources (Uses)	<u>(10,134,334)</u>	<u>(1,178,861)</u>	<u>3,917,743</u>	<u>(6,018,536)</u>
Net Change in Fund Balances	<u>(5,839,086)</u>	<u>183,128</u>	<u>6,352,058</u>	<u>765,353</u>
Fund Balances:				
July 1,	14,398,339	14,215,211	7,863,153	7,097,800
June 30,	<u>\$ 8,559,253</u>	<u>14,398,339</u>	<u>14,215,211</u>	<u>7,863,153</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**LOWNDES COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2014	2013*	2012*	2011*
<b>Revenues:</b>				
Local sources	\$ 23,585,980	21,128,159	20,810,586	21,066,503
Intermediate sources	31,475	-	-	-
State sources	21,545,489	21,098,256	21,375,056	20,739,437
Federal sources	5,219,957	5,792,719	6,811,849	9,312,135
Sixteenth section sources	256,113	152,810	100,529	166,908
Total Revenues	<u>50,639,014</u>	<u>48,171,944</u>	<u>49,098,020</u>	<u>51,284,983</u>
<b>Expenditures:</b>				
Instruction	25,837,500	26,740,245	24,717,616	24,804,668
Support services	16,993,314	16,503,265	18,869,904	16,927,151
Noninstructional services	2,106,804	2,034,714	2,003,786	2,114,489
Sixteenth section	77,090	73,679	63,909	94,063
Facilities acquisition and construction	2,834,007	-	-	-
Debt service:			26,194	2,575,392
Principal	5,960,000	1,662,597	1,542,582	1,577,834
Interest	490,089	328,541	381,443	424,331
Other	3,200	2,950	4,925	7,825
Total Expenditures	<u>54,302,004</u>	<u>47,345,991</u>	<u>47,610,359</u>	<u>48,525,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,662,990)</u>	<u>825,953</u>	<u>1,487,661</u>	<u>2,759,230</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of notes issued	11,500,000	-	-	-
Payments to escrow agent	-	(214,993)	(215,000)	-
Insurance recovery	-	-	-	8,855
Sale of transportation equipment	-	40,443	85,500	-
Other financing sources	214,993	214,993	215,000	-
Operating transfers in	10,770,577	1,401,134	6,217,573	6,887,216
Operating transfers out	(10,770,577)	(1,401,134)	(6,217,573)	(6,887,216)
Other financing uses	(214,993)	(124)	(135,047)	(7,741)
Total Other Financing Sources (Uses)	<u>11,500,000</u>	<u>40,319</u>	<u>(49,547)</u>	<u>1,114</u>
Net Change in Fund Balances	<u>7,837,010</u>	<u>866,272</u>	<u>1,438,114</u>	<u>2,760,344</u>
<b>Fund Balances:</b>				
July 1,	26,879,960	26,034,170	24,582,058	21,812,696
Increase (Decrease) in inventory	24,013	(20,482)	13,998	9,018
June 30,	<u>\$ 34,740,983</u>	<u>26,879,960</u>	<u>26,034,170</u>	<u>24,582,058</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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*

Superintendent and School Board  
Lowndes County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowndes County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lowndes County School District's basic financial statements, and have issued our report thereon dated September 5, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lowndes County School District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 5, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Lowndes County School District

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

We have audited Lowndes 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 Lowndes County School District's major federal programs for the year ended June 30, 2014. The Lowndes County School District's major federal programs are identified in the summary of the 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**

Our responsibility is to express an opinion on compliance for each of Lowndes County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 we 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Lowndes County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the Lowndes County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lowndes County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

Our consideration of the 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. We did not identify any deficiencies in internal control over compliance that we 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 our 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
September 5, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2014, which collectively comprise the Lowndes County School District's basic financial statements and have issued our report thereon dated September 5, 2014. We conducted our 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 ensure 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, we 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 our audit and, accordingly, we do not express such an opinion.

The results of our 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 \$5,642 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 ensure 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 our 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, we 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 our audit and, accordingly, we do not express such an opinion.

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

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
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This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and 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. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
September 5, 2014

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lowndes County School District**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

## Section II: Financial Statements Findings

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

## Section III: Federal Award Findings and Questioned Costs

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

## SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



Dr. Robin Ballard  
Assistant Superintendent

Dr. Peggy J. Rogers  
Assistant Superintendent

## Lowndes County School District

Percy Lee  
Vocational and Tech Prep Director

1053 Hwy 45 South – Columbus, MS 39701  
(662) 244-5000 – Fax (662) 244-5043

Dr. Susan Johnson  
Special Education Director

Lotis Johnson  
Business Officer/Administrator

Lynn Wright  
Superintendent

Betty Clinton  
Child Nutrition Director

Veronica Hill  
Personnel Director

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

Jeanise Andrews  
Technology Coordinator

### SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Lowndes County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013- 1	Corrected