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CITY OF LUCEDALE

**Audited Financial Statements
And Special Reports
September 30, 2013**

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CITY OF LUCEDALE

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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and
Members of the Board of Aldermen
City of Lucedale, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of City of Lucedale, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 *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 from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lucedale as of September 30, 2013, and the respective changes in financial position and cash flows 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 Budgetary Comparison Schedules 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 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.

Omission of Required Supplementary Information

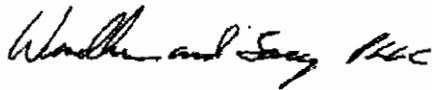
The City of Lucedale, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

The Schedule of Surety Bonds for the City of Lucedale 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 Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2014, on our consideration of the City of Lucedale'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 the 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 the City of Lucedale's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
February 6, 2014

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CITY OF LUCEDALE

BASIC FINANCIAL STATEMENTS

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide financial statements

Fund financial statements

Governmental funds

Proprietary (enterprise) fund

In addition, the notes to the financial statements are included to provide information that is essential to user's understanding of the basic financial statements

CITY OF LUCEDALE
Statement of Net Position
September 30, 2013

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash	\$ 3,250,683	698,927	3,949,610
Property tax receivable	296,396		296,396
Fines receivable, net	48,850		48,850
Accounts receivable, net	52,514	87,682	140,196
Grants receivable	27,877		27,877
Sales tax receivable	321,396		321,396
Internal balances	2	(2)	0
Total current assets	<u>3,997,718</u>	<u>786,607</u>	<u>4,784,325</u>
Noncurrent Assets:			
Restricted cash	163,710	253,421	417,131
Capital assets, net	4,816,888	3,504,003	8,320,891
Total noncurrent assets	<u>4,980,598</u>	<u>3,757,424</u>	<u>8,738,022</u>
Total Assets	<u>\$ 8,978,316</u>	<u>4,544,031</u>	<u>13,522,347</u>
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 137,633	30,252	167,885
Deferred revenue	296,396		296,396
Current portion of long-term debt		44,995	44,995
Total current liabilities	<u>434,029</u>	<u>75,247</u>	<u>509,276</u>
Noncurrent Liabilities:			
Long-term liabilities		690,454	690,454
Customer meter deposits payable		35,809	35,809
Total noncurrent liabilities	<u>0</u>	<u>726,263</u>	<u>726,263</u>
Total Liabilities	<u>434,029</u>	<u>801,510</u>	<u>1,235,539</u>
NET POSITION			
Invested in capital assets, net of related debt	4,816,888	2,768,554	7,585,442
Restricted for:			
Public safety	176,909		176,909
Unemployment compensation	8,357		8,357
Unrestricted	3,542,133	973,967	4,516,100
Total Net Position	<u>\$ 8,544,287</u>	<u>3,742,521</u>	<u>12,286,808</u>

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

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CITY OF LUCEDALE
Statement of Activities
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 578,376				(578,376)		(578,376)
Public safety	1,492,366	135,083	15,579	65,990	(1,275,714)		(1,275,714)
Public works	858,663	206,036		24,458	(628,169)		(628,169)
Health and welfare	2,400	29,206			26,806		26,806
Culture and recreation	260,479			18,770	(241,709)		(241,709)
Urban and economic development	49,087				(49,087)		(49,087)
Total Governmental Activities	<u>3,241,371</u>	<u>370,325</u>	<u>15,579</u>	<u>109,218</u>	<u>(2,746,249)</u>	<u>0</u>	<u>(2,746,249)</u>
Business-type Activities:							
Water/Sewer	549,026	523,729		439,741		414,444	414,444
Total Business-type Activities	<u>549,026</u>	<u>523,729</u>	<u>0</u>	<u>439,741</u>	<u>0</u>	<u>414,444</u>	<u>414,444</u>
Total	\$ 3,790,397	894,054	15,579	548,959	(2,746,249)	414,444	(2,331,805)
General Revenues							
Taxes:							
Property taxes					\$ 392,834		392,834
Road & bridge privilege taxes					175,208		175,208
Sales tax					1,977,293		1,977,293
Franchise taxes					170,473		170,473
Grants and contributions not restricted to specific programs					21,740		21,740
Unrestricted investment income					23,395	7,221	30,616
Loss on sale of assets					(2,782)		(2,782)
Transfers					(131,990)	131,990	
Miscellaneous					52,143		52,143
Total General Revenues					<u>2,678,314</u>	<u>139,211</u>	<u>2,817,525</u>
Change in net position					(67,935)	553,655	485,720
Net Position - Beginning					8,612,222	3,188,866	11,801,088
Net Position - Ending					<u>\$ 8,544,287</u>	<u>3,742,521</u>	<u>12,286,808</u>

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

CITY OF LUCEDALE
Balance Sheet
Governmental Funds
September 30, 2013

Exhibit 3

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 3,392,810	21,583	3,414,393
Property tax receivable	296,396		296,396
Fines receivable	48,850		48,850
Sales tax receivable	321,396		321,396
Grants receivable	18,750	9,127	27,877
Interfund receivable/payable	5,479	(5,477)	2
Other receivables	52,514		52,514
Total Assets	<u>\$ 4,136,195</u>	<u>25,233</u>	<u>4,161,428</u>
LIABILITIES & FUND BALANCES			
Liabilities:			
Claims payable	\$ 137,633		137,633
Deferred revenue	345,246		345,246
Total Liabilities	<u>482,879</u>	<u>0</u>	<u>482,879</u>
Fund Balances:			
Unassigned	3,489,606		3,489,606
Restricted: Public Safety	163,710	13,199	176,909
Restricted: Culture and Recreation		3,677	3,677
Restricted: Unemployment		8,357	8,357
Total Fund Balances	<u>3,653,316</u>	<u>25,233</u>	<u>3,678,549</u>
Total Liabilities and Fund Balances	<u>\$ 4,136,195</u>	<u>25,233</u>	

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (Note 1):

Capital assets net of depreciation as of Oct. 1, 2012	\$ 5,024,641	
Plus capital outlay expenditures made during the year	55,901	
Less depreciation expense recorded during the year	(260,872)	
Less loss of disposal of capital assets	<u>(2,782)</u>	4,816,888
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		48,850
Net Position of Governmental Activities		<u>\$ 8,544,287</u>

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

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CITY OF LUCEDALE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

Exhibit 4

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 392,834		392,834
Licenses and permits	199,679		199,679
Fines and forfeitures	124,370	3,243	127,613
Intergovernmental revenues	2,223,829	75,189	2,299,018
Charges for services	189,379		189,379
Interest income	23,278	117	23,395
Miscellaneous	69,615	20	69,635
Total Revenues	<u>3,222,984</u>	<u>78,569</u>	<u>3,301,553</u>
EXPENDITURES			
Current:			
General government	565,658		565,658
Public safety	1,402,041	39,166	1,441,207
Public works	834,521		834,521
Health and welfare	2,400		2,400
Culture and recreation	138,345	5,182	143,527
Urban and economic development	49,087		49,087
Total Expenditures	<u>2,992,052</u>	<u>44,348</u>	<u>3,036,400</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>230,932</u>	<u>34,221</u>	<u>265,153</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(135,249)	3,259	(131,990)
Total Other Financing Sources and Uses	<u>(135,249)</u>	<u>3,259</u>	<u>(131,990)</u>
Net Change in Fund Balances	95,683	37,480	133,163
Fund Balances - Beginning	<u>3,557,633</u>	<u>(12,247)</u>	<u>3,545,386</u>
Fund Balances - Ending	<u>\$ 3,653,316</u>	<u>25,233</u>	<u>3,678,549</u>

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

CITY OF LUCEDALE
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Exhibit 5

	<u>Amount</u>
Net Change in Fund Balances -- Total Governmental Funds (Exhibit 4)	\$ 133,163
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation (\$260,872) exceeded capital outlays (\$55,901) in the current period.	(204,971)
In the Statement of Activities, gains and losses from the disposal of capital assets are recorded. In governmental funds, these disposals are not recorded. Thus, the change in net assets differs from the change in fund balances by the amount the cost of the assets exceeds the accumulated depreciation.	(2,782)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Fine Revenue	<u>6,655</u>
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u><u>(67,935)</u></u>

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

CITY OF LUCEDALE
Statement of Net Assets
Proprietary Fund
September 30, 2013

Exhibit 6

	<u>Business-type Activity</u>
	<u>Water/Sewer</u>
ASSETS	
Current Assets:	
Cash	\$ 698,927
Accounts receivable, net	87,682
Internal balances	(2)
Total current assets	<u>786,607</u>
Noncurrent assets:	
Restricted cash and cash equivalents	253,421
Capital assets, net	<u>3,504,003</u>
Total noncurrent assets	<u>3,757,424</u>
 Total Assets	 \$ <u>4,544,031</u>
LIABILITIES	
Current Liabilities:	
Claims payable	\$ 30,252
Current portion of long-term debt	<u>44,995</u>
Total current liabilities	<u>75,247</u>
Noncurrent Liabilities:	
Long-term liabilities	690,454
Customer meter deposits payable	<u>35,809</u>
Total noncurrent liabilities	<u>726,263</u>
 Total Liabilities	 <u>801,510</u>
NET POSITION	
Invested in capital assets net of related debt	2,768,554
Unrestricted	<u>973,967</u>
Total Net Position	\$ <u>3,742,521</u>

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

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CITY OF LUCEDALE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activity
	<u>Water/Sewer</u>
OPERATING REVENUES	
Charges for services	\$ 523,729
Total Operating Revenues	<u>523,729</u>
OPERATING EXPENSES	
Personal services	138,404
Contractual services	172,800
Materials and supplies	71,452
Depreciation expense	<u>152,978</u>
Total Operating Expenses	<u>535,634</u>
Operating Income (Loss)	<u>(11,905)</u>
NONOPERATING REVENUES (EXPENSES)	
Grants	439,741
Transfers	131,990
Interest income	7,221
Interest expense	<u>(13,392)</u>
Total Nonoperating Revenue (Expenses)	<u>565,560</u>
Change in Net Position	553,655
Total Net Position - Beginning	<u>3,188,866</u>
Total Net Position - Ending	\$ <u><u>3,742,521</u></u>

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

CITY OF LUCEDALE
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2013

Exhibit 8

	Business-type Activity
	Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 522,648
Payments to suppliers	(261,794)
Payments to employees	(138,404)
Net Cash Provided (Used) by Operating Activities	<u>122,450</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,427,025)
Principal paid on long-term debt	(30,001)
Interest expense paid	(13,392)
New long-term debt proceeds	682,340
Transfers	131,990
Receipts from grants	439,741
Net Cash Provided (Used) by Capital Financing Activities	<u>(216,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>7,221</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(86,676)
Cash and Cash Equivalents - Beginning of Year	<u>1,039,024</u>
Cash and Cash Equivalents - End of Year	\$ <u>952,348</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>(11,905)</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:	
Depreciation	152,978
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(520)
Increase (decrease) in claims payable	(17,544)
Increase (decrease) in customer deposits	(561)
Increase (decrease) in internal balances	<u>2</u>
Total adjustments	<u>134,355</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>122,450</u>

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

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CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

1. **Summary of Significant Accounting Policies.**

Financial Reporting Entity.

The City of Lucedale (City) is a code-charter municipality governed by an elected mayor and five aldermen. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP.

There are no component units required to be included in these financial statements.

Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes 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 Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer system.

The city's proprietary fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity.

1. *Deposits and Investments.*

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of 14 days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the city may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the city did not invest in any governmental securities during the fiscal year.

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 interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

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.

All trade receivables are shown net of an allowance for uncollectibles.

3. *Restricted Assets.*

Governmental activities - Cash that is restricted by law to certain activities is shown as restricted cash on the Statement of Net Position.

Business-type activities - Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

4. *Capital Assets.*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land	N/A
Infrastructure	20-50
Buildings	40
Improvements other than buildings	20
Machinery & equipment	5-10

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

5. *Compensated Absences.*

There is no liability for unpaid accumulated sick leave or vacation since the City does not have a policy to pay any amounts when employees separate from service with the City.

6. *Long-term Obligations.*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts, if any, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if any, are reported as deferred charges and amortized over the term of the related debt.

7. *Equity Classifications.*

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted Net Position - Consists of Net Position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted Net Position - All other Net Position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has no fund balance reported in this category.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are eternally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The City has \$188,943 reported as restricted fund balances.

CITY OF LUCEDALE

Notes to Financial Statements For the Year Ended September 30, 2013

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The City has no fund balance reported in this category.

Assigned - Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by management other than the highest decision making authority of the City. The City has no fund balance reported in this category.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

8. *Property Tax Revenues.*

Statutes exist under which the City may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

9. *Intergovernmental Revenues in Governmental Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

2. **Detailed Notes on All Funds.**

A. **Cash.**

At year-end, the City's carrying amount of deposits was \$4,366,741 and the bank balance was \$4,377,645. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. 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 City.

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CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

B. Receivables.

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer Fund	Total
Receivables:			
Grants receivable	\$ 27,877		27,877
Sales tax	321,396		321,396
Property taxes	296,396		296,396
Accounts		149,846	149,846
Garbage charges	7,923		7,923
Returned checks	171		171
Franchise fees	44,420		44,420
Fines	800,002		800,002
Gross receivables	1,498,185	149,846	1,648,031
Less: allowance for uncollectibles	<u>(751,152)</u>	<u>(62,164)</u>	<u>(813,316)</u>
Net total receivables	<u>\$ 747,033</u>	<u>87,682</u>	<u>834,715</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds are as follows:

Property taxes receivable: General Fund	\$ 296,396
Fines receivable: General Fund	<u>48,850</u>
Total deferred revenue for governmental funds	<u>\$ 345,246</u>

C. Transfers In/Out.

	Transfers In Water & Sewer Fund	Capital Projects Fund
Transfer out:		
General Fund	\$ 131,990	
General Fund		<u>3,259</u>
Total transfers out	<u>\$ 131,990</u>	<u>3,259</u>

The principal purpose of the transfers was for the matching portion of grants for various capital projects.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

D. Capital Assets.

Capital asset activity for the year ended September 30, 2013, are as follows:

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 342,419			342,419
Construction in progress	0			0
Total capital assets, not being depreciated	<u>342,419</u>	<u>0</u>	<u>0</u>	<u>342,419</u>
Capital assets, being depreciated:				
Buildings	2,832,793			2,832,793
Improvements other than buildings	1,482,205			1,482,205
Streets	1,916,463			1,916,463
Bridges	9,920			9,920
Machinery and equipment	2,196,302	55,901	(27,821)	2,224,382
Total capital assets being depreciated	<u>8,437,683</u>	<u>55,901</u>	<u>(27,821)</u>	<u>8,465,763</u>
Less: Accumulated depreciation for:				
Buildings	(395,637)	(82,900)		(478,537)
Improvements other than buildings	(329,063)	(59,133)		(388,196)
Streets	(1,158,011)	(12,179)		(1,170,190)
Bridges	(9,920)			(9,920)
Machinery and equipment	(1,862,830)	(106,660)	25,039	(1,944,451)
Total accumulated depreciation	<u>(3,755,461)</u>	<u>(260,872)</u>	<u>25,039</u>	<u>(3,991,294)</u>
Total capital assets, being depreciated, net	<u>4,682,222</u>	<u>(204,971)</u>	<u>(2,782)</u>	<u>4,474,469</u>
Governmental activities capital assets, net	<u>\$ 5,024,641</u>	<u>(204,971)</u>	<u>(2,782)</u>	<u>4,816,888</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress: Sewer Rehab	\$ 214,307	1,405,274	(1,619,581)	0
Capital assets, being depreciated:				
Water system	1,880,582	21,751		1,902,333
Sewer system	2,520,077	1,619,581		4,139,658
Total capital assets, being depreciated	<u>4,400,659</u>	<u>1,641,332</u>	<u>0</u>	<u>6,041,991</u>
Less: Accumulated depreciation	<u>(2,385,010)</u>	<u>(152,978)</u>	<u>0</u>	<u>(2,537,988)</u>
Business-type activities capital assets, net	<u>\$ 2,229,956</u>	<u>2,893,628</u>	<u>(1,619,581)</u>	<u>3,504,003</u>

In business-type activities, \$1,619,581 was transferred from construction in progress to sewer system for projects completed in the current year.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	15,714
Public safety		75,825
Public works		45,705
Culture and recreation		<u>123,628</u>
Total depreciation expense - governmental activities	\$	<u>260,872</u>
Business-type activities:		
Water and Sewer	\$	<u>152,978</u>
Total depreciation expense - business-type activities	\$	<u>152,978</u>

E. Interfund Transactions.

The following schedule as of September 30, 2013, represents interfund receivables and payables:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental fund	\$ 5,477
General	Water & Sewer Fund	<u>2</u>
Total		<u>\$ 5,479</u>

F. Long-term Debt.

Revenue Bonds

The City also issued water and sewer revenue bonds in 2002 to provide funds for the construction of water and sewer infrastructure. These bonds will be repaid from revenues generated from operations of the water and sewer systems.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Loans Payable

The City has received a Capital Improvements Revolving Loan (CAP) loan from the Mississippi Development Authority to finance a project for water/sewer improvements.

Revenue bonds and loans payable currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Business-type activities:		
2002 Water system rural development bond	4.5%	\$ 67,161
State of Mississippi CAP Loan	2%	<u>668,288</u>
Total		<u>\$ 735,449</u>

Annual debt service requirements to maturity for revenue bonds and loans are as follows:

<u>Year Ending September 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Revenue Bonds	\$	
2014	16,682	1,462
2015	15,964	668
2016	34,515	851
2017		
Total	<u>\$ 67,161</u>	<u>2,981</u>
CAP Loan	\$	
2014	28,313	13,109
2015	24,030	12,535
2016	29,470	11,952
2017	30,065	11,357
2018	30,672	10,751
Thereafter	<u>525,738</u>	<u>79,571</u>
Total	<u>\$ 668,288</u>	<u>139,275</u>

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CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2013, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
CAP Loan	\$	682,340	(14,052)	668,288	28,313
Bonds payable:					
Revenue bonds	<u>83,110</u>	<u> </u>	<u>(15,949)</u>	<u>67,161</u>	<u>16,682</u>
Business-type activity long-term liabilities	<u>\$ 83,110</u>	<u>682,340</u>	<u>(30,001)</u>	<u>735,449</u>	<u>44,995</u>

3. Other Information.

A. Contingent Liabilities.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City 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 ultimate outcome or liability, if any, of the City with respect to the various proceedings; however, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

B. Pension Plan.

Plan Description. The City of Lucedale 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 information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF LUCEDALE

Notes to Financial Statements
For the Year Ended September 30, 2013

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary and the City of Lucedale is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contribution requirements of PERS' members are established and may be amended only by the State of Mississippi Legislature. The City of Lucedale's contributions to PERS for the years ending September 30, 2013, 2012 and 2011 were \$198,043, \$178,877, and \$157,333 respectively, equal to the required contributions for each year.

C. Risk Management.

The City classifies risks of loss in the following categories: torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk of loss resulting from any of the above is mitigated through the purchase of commercial insurance.

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CITY OF LUCEDALE

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule

Notes to the Required Supplementary Information

CITY OF LUCEDALE
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 346,500	392,834	392,834	
Licenses and permits	179,100	199,679	199,679	
Fines and forfeitures	100,000	124,395	124,395	
Intergovernmental revenues	2,014,710	2,215,637	2,215,637	
Charges for services	187,000	189,379	189,379	
Interest earned	53,550	23,278	23,278	
Miscellaneous revenues	65,750	69,617	69,617	
Total Revenues	<u>2,946,610</u>	<u>3,214,819</u>	<u>3,214,819</u>	<u>0</u>
EXPENDITURES				
General government	617,875	565,242	565,242	
Public safety	1,633,588	1,398,217	1,398,217	
Public works	1,020,896	832,734	832,734	
Health and welfare	3,200	2,400	2,400	
Culture and recreation	244,075	137,950	137,950	
Urban and economic development	85,500	49,087	49,087	
Total Expenditures	<u>3,605,134</u>	<u>2,985,630</u>	<u>2,985,630</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(658,524)</u>	<u>229,189</u>	<u>229,189</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(151,203)	(135,249)	(135,249)	
Total Other Financing Sources and Uses	<u>(151,203)</u>	<u>(135,249)</u>	<u>(135,249)</u>	<u>0</u>
Net Change in Fund Balance	(809,727)	93,940	93,940	0
Fund Balances - Beginning	809,727	3,277,256	3,277,256	0
Fund Balances - Ending	<u>\$ 0</u>	<u>3,371,196</u>	<u>3,371,196</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

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CITY OF LUCEDALE

Notes to the Required Supplementary Information For the Year Ended September 30, 2013

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the various department managers for their respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

CITY OF LUCEDALE

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	<u>Governmental Fund Type</u> General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 93,940
Increase (decrease):	
Net adjustments for revenue accruals	8,165
Net adjustments for expenditure accruals	<u>(6,422)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 95,683</u>

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CITY OF LUCEDALE

SCHEDULE OF SURETY BONDS

CITY OF LUCEDALE
Surety Bonds for City Officials
September 30, 2013

<u>Name</u>	<u>Covered Position</u>	<u>Company</u>	<u>Amount</u>
Douglas Lee	Mayor	Travelers Casualty & Surety	\$ 50,000
Payton Dudley	Alderman	Travelers Casualty & Surety	50,000
Carrie Moulds	Alderman	Travelers Casualty & Surety	50,000
Jason Martin	Alderman	Travelers Casualty & Surety	50,000
Louis Valentine	Alderman	Travelers Casualty & Surety	50,000
Lloyd Welford	Alderman	Travelers Casualty & Surety	50,000
Kathy Johnson	City clerk	Travelers Casualty & Surety	50,000
Kathy Johnson	City clerk	FCCI Insurance	160,000
Barry Lambert	Police chief	Old Republic Surety	50,000
Various	Dispatchers, each	Old Republic Surety	10,000
Tracy Green	Deputy court clerk	Old Republic Surety	50,000
Miranda Weaver	Bus driver	Old Republic Surety	50,000
Doris Cook	Deputy court clerk	Old Republic Surety	50,000
Jackie Jones	Deputy city clerk	Old Republic Surety	50,000
Tammy Oldenquist	Deputy city clerk	Old Republic Surety	50,000
Wanda Warren	Deputy city clerk	Old Republic Surety	50,000
Courtney Peacock	Water clerk	Old Republic Surety	50,000

CITY OF LUCEDALE

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

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Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
City of Lucedale, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of City of Lucedale, Mississippi, as of and for the year ended September 30, 2013 which collectively comprise City of Lucedale, Mississippi's basic financial statements and have issued our report thereon dated February 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lucedale, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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

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that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

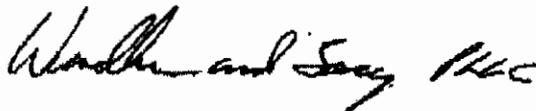
Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies.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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lucedale, Mississippi's financial statements are free of 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 result 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. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
February 6, 2014

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
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Members:
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Mississippi Society of CPAs

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

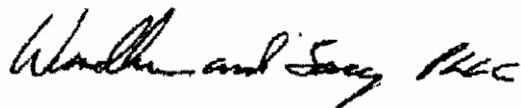
Honorable Mayor and
Members of the Board of Aldermen
City of Lucedale, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of City of Lucedale, Mississippi, as of and for the year ended September 30, 2013, and have issued our report thereon dated February 6, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the basic financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management, the Board of Aldermen, and others within the entity 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.



Windham and Lacey, PLLC
February 6, 2014

CITY OF LUCEDALE

SCHEDULE OF FINDINGS AND RESPONSES

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FEB 26 2014

CITY OF LUCEDALE

Schedule of Findings and Responses
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement 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*.

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FEB 28 2014