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LAFAYETTE COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2013

LAFAYETTE COUNTY SCHOOL DISTRICT
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LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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Roger A. Garrett, C.P.A.
1922 - 2008

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lafayette 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 Lafayette County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lafayette 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 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 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 Lafayette County School District, as of June 30, 2013, 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 Supplemental 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 10-20 and 59-61 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 supplemental 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 Lafayette County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audit 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 information 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 January 29, 2014, on our consideration of the Lafayette 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 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 Lafayette County School District's internal control over financial reporting and compliance.

The Dwight R. Young Group
Oxford, Mississippi
January 29, 2014

LAFAYETTE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The following discussion and analysis of Lafayette County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. 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 basic financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Total net position for 2013 increased \$1,438,210, including a prior period adjustment of (\$21,169), which represents a 9.1% increase. Total net position for 2012 increased \$2,379,400, which represents a 17.7% increase.

General revenues amounted to \$20,335,754 and \$19,625,605 or 82% and 81% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,422,324 or 18% of total revenues for 2013, and \$4,723,384 or 19% of total revenues for 2012.

The District had \$23,298,699 and \$21,969,589 in expenses for fiscal years 2013 and 2012; only \$4,422,324 for 2013 and \$4,723,384 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,335,754 for 2013 and \$19,625,605 for 2012 were adequate to provide for these programs.

Among major funds, the General Fund had \$19,037,591 in revenues and \$17,478,054 in expenditures for 2013, and \$18,458,095 in revenues and \$16,256,214 in expenditures for 2012. The General Fund's fund balance increased by \$556,370, including a prior period adjustment of \$984, from 2012 to 2013, and increased by \$1,236,539 from 2011 to 2012.

Capital assets, net of accumulated depreciation, increased by \$719,340 for 2013, and decreased by \$751,754 for 2012. The increase for 2013 was due to construction in progress and purchase of mobile equipment and furniture.

Long-term debt increased by a net of \$729,533 for 2013. During 2013, the District paid principal payments on long-term debt of \$10,110,000 of which \$8,505,000 was financed with the issuance of

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Refunded Bonds. The Series 2013 government obligation refunding bonds are discussed in detail in Note 5. The liability for compensated absences for 2013 was decreased by \$85,202. For 2012, long-term debt decreased by \$1,482,092 due to principal payment on debt and compensated absences increased by \$27,908.

OVERVIEW OF 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 supplemental information, supplemental information and other information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide the readers 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 difference 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 years.

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, and interest on long-term liabilities.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

FIDUCIARY FUNDS

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

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental 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.

SUPPLEMENTAL 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 Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$17,277,919 as of June 30, 2013.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

TABLE 1
CONDENSED STATEMENT OF NET POSITION

	<u>JUNE 30, 2013</u>	<u>JUNE 30, 2012</u>	<u>PERCENT CHANGE OVER PRIOR YEAR</u>
Current Assets	\$ 9,624,022	\$ 8,067,867	19 %
Other Assets	-0-	59,282	(100) %
Capital Assets, Net	<u>21,571,366</u>	<u>20,852,026</u>	3 %
Total Assets	<u>31,195,388</u>	<u>28,979,175</u>	8 %
Deferred Outflow of Resources	<u>251,180</u>	<u>-0-</u>	N/A %
Current Liabilities	871,040	583,873	49 %
Long-term Debt Outstanding	<u>13,285,126</u>	<u>12,555,593</u>	6 %
Total Liabilities	<u>14,156,166</u>	<u>13,139,466</u>	8 %
Deferred Inflow of Resources	<u>12,483</u>	<u>-0-</u>	N/A %
Net Position			
Net Investment in Capital Assets	8,446,631	8,542,026	2 %
Restricted	3,720,617	3,052,469	21 %
Unrestricted	<u>5,110,671</u>	<u>4,245,214</u>	14 %
Total Net Position	\$ <u>17,277,919</u>	\$ <u>15,839,709</u>	9 %

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

The issuance of \$8,505,000 in Refunded Bonds and the issuance of 3 Mill Note in the amount of \$2,130,000.

The principal retirement of \$10,110,000 of long-term debt.

Accounts Payable increase was the result of payments due on construction project in the amount of \$673,811.

CHANGES IN NET POSITION

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012, were \$24,758,078 and \$24,348,989, respectively. The total cost of all programs and services was \$23,298,699 for 2013 and \$21,969,589 for 2012. Table 2 presents a summary of the changes in net assets for the fiscal years ending June 30, 2013 and June 20, 2012.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

TABLE 2
CHANGES IN NET POSITION

	<u>JUNE 30, 2013</u>	<u>JUNE 30, 2012</u>	<u>PERCENT CHANGE OVER PRIOR YEAR</u>
Revenues:			
Program Revenues			
Charges for Services	\$ 1,418,412	\$ 1,516,444	(6) %
Operating Grants & Contributions	3,003,912	3,206,940	(6) %
General Revenues			
Property Taxes	8,067,257	7,601,174	6 %
Grants & Contributions, Not Restricted	12,061,184	11,845,812	2 %
Unrestricted Investment Earning	58,810	68,829	(15) %
Other	<u>148,503</u>	<u>109,790</u>	35 %
Total Revenues	<u>24,758,078</u>	<u>24,348,989</u>	2 %
Expenditures:			
Instruction	13,426,645	12,902,118	4 %
Support Services	8,144,845	7,455,381	9 %
Non-instructional	1,141,242	1,094,812	4 %
Interest and Other			
Expenses on			
Long-term Liabilities	<u>585,967</u>	<u>517,278</u>	13 %
Total Expenditures	<u>23,298,699</u>	<u>21,969,589</u>	6 %
Increase in Net Position	<u>1,459,379</u>	<u>2,379,400</u>	(39) %
Net Position, July 1, as previously			
Reported	15,839,709	13,460,309	18 %
Prior Period Adjustment	<u>(21,169)</u>	<u>-0-</u>	N/A %
Net Position, July 1, as Restated	<u>15,818,540</u>	<u>13,460,309</u>	18 %
Net Position, June 30	\$ <u>17,277,919</u>	\$ <u>15,839,709</u>	9 %

GOVERNMENTAL ACTIVITIES

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

TABLE 3
NET COST OF GOVERNMENTAL ACTIVITIES

	<u>TOTAL EXPENDITURES</u>		<u>PERCENTAGE CHANGE</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 13,426,645	\$ 12,902,118	4 %
Support Service	8,144,845	7,455,381	9 %
Non-instructional	1,141,242	1,094,812	4 %
Interest on Long-Term Liabilities	<u>585,967</u>	<u>517,278</u>	13 %
Total Expenditures	\$ <u>23,298,699</u>	\$ <u>21,969,589</u>	6 %
	<u>NET (EXPENSE) REVENUE</u>		
	<u>2013</u>	<u>2012</u>	<u>PERCENTAGE CHANGE</u>
Instruction	\$(11,248,715)	\$(10,456,489)	8 %
Support Service	(7,008,998)	(6,315,633)	11 %
Non-instructional	(32,695)	43,195	(176) %
Interest on Long-Term Liabilities	<u>(585,967)</u>	<u>(517,278)</u>	13 %
Total Expenditures	\$ <u>(18,876,375)</u>	\$ <u>(17,246,205)</u>	9 %

Net cost of governmental activities, (\$18,876,375 and \$17,246,205) was financed by general revenue, which is made up of primarily property taxes of (\$8,067,257 for 2013 and \$7,601,174 for 2012) and state and federal revenues of (\$12,061,184 for 2013 and \$11,845,812 for 2012).

Investment earnings amounted to \$58,810 for 2013 and \$68,829 for 2012.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$8,814,149, an increase of \$1,156,684 which includes a prior period adjustment of \$258 and a decrease in inventory of \$13,226. \$5,019,882 or 57% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$3,794,267 or 43% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$556,370. The fund balance of Other Governmental Funds showed a decrease in the amount of \$119,929, which includes a prior period adjustment of (\$2,536) and a decrease in reserve for inventory of \$13,226, due primarily to inclusion of prior year major funds as non-major funds for 2013-12 and the classification as major funds for 2012-13 of two funds classified as non-major in 2011-12. The increase in the fund balances for the other major funds were as follows:

	<u>INCREASE (DECREASE)</u>
Major Funds:	
Three Mill Capital Project	\$ 545,716 increase
Series 2004 Bond Issue	\$ 174,527 increase
IDEA Part B	No increase or decrease

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 and major special revenue funds is provided in this report as required supplemental information.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS. As of June 30, 2013, the District's total capital assets were \$31,116,910, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$1,423,834 from 2012. Total accumulated depreciation as of June 30, 2013, was \$9,545,544, and total depreciation expense for the year was \$767,668, resulting in total net capital assets of \$21,571,366.

TABLE 4
CAPITAL ASSETS, NET OF DEPRECIATION

	<u>2013</u>	<u>2012</u>	<u>PERCENTAGE CHANGE</u>
Land	\$ 436,877	\$ 436,877	-
Construction in Progress	1,045,214	-0-	N/A
Buildings	15,396,354	15,779,284	(2)
Building Improvements	1,578,302	1,670,841	(6)
Improvements Other Than Building	2,054,216	2,163,200	(5)
Mobile Equipment	949,471	746,562	27
Furniture and Equipment	110,932	55,262	101
Total	\$ <u>21,571,366</u>	\$ <u>20,852,026</u>	3

Additional information of the District's capital assets can be found in Note 4 included in this report.

DEBT ADMINISTRATION

At June 30, 2013, the District had \$13,285,126 in outstanding long-term debt, of which \$1,440,000 is due within one year. The liability for compensated absences decreased \$85,202 from prior year.

The District maintains an A+ bond rating.

TABLE 5
OUTSTANDING LONG-TERM DEBT

	<u>2013</u>	<u>2012</u>	<u>PERCENTAGE CHANGE</u>
General Obligation Bonds Payable	\$ 2,200,000	\$ 11,540,000	(81)
General Obligation Refunded Bonds	8,505,000	-0-	N/A
Premium on Refunded Bond	289,735	-0-	N/A
Three Mill Notes Payable	2,130,000	770,000	177
Compensated Absences Payable	160,391	245,593	(35)
Total	\$ <u>13,285,126</u>	\$ <u>12,555,593</u>	6

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Additional information of the District's long-term debt can be found in Note 5 of this report.

CURRENT ISSUES

The Lafayette County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence while practicing fiscal restraint for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for 2012-2013 increased 0.5% to 2,570 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 Lafayette County School District, 100 Commodore Drive, Oxford, MS 38655.

LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - EXHIBIT A
June 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Cash Equivalents	\$ 9,009,567
Due from Other Governments	498,380
Other Receivables, Net	101,330
Inventories	14,745
Capital Assets-Non-Depreciable:	
Land	436,877
Construction in Progress	1,045,214
Capital Assets, Net of Accum. Depreciation:	
Buildings	15,396,354
Building Improvements	1,578,302
Improvements Other than Buildings	2,054,216
Mobile Equipment	949,471
Furniture and Equipment	<u>110,932</u>
TOTAL ASSETS	<u>31,195,388</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount of Refunding	<u>251,180</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>251,180</u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	797,390
Interest Payable on Long-term Liabilities	73,650
Premium on Refunded Bonds	289,735
Long-Term Liabilities (Due within one year)	
Capital Related	1,440,000
Long-Term Liabilities (Due beyond one year)	
Capital Related	11,395,000
Non-capital Related	<u>160,391</u>
TOTAL LIABILITIES	<u>14,156,166</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Tuition and School Lunches	<u>12,483</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>12,483</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION - EXHIBIT A
June 30, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
NET POSITION	
Net Investment in Capital Assets	\$ 8,446,631
Restricted For:	
Expendable:	
School - Based Activities	917,981
Debt Service	2,167,120
Capital Improvements	588,415
Unemployment Benefits	47,101
Unrestricted	<u>5,110,671</u>
TOTAL NET POSITION	\$ <u>17,277,919</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES - EXHIBIT B
 For the Year Ended June 30, 2013

NET (EXPENSE) REVENUE
 AND CHANGES IN NET

ASSETS

PROGRAM REVENUES

OPERATING

GOVERNMENTAL

ACTIVITIES

CONTRIBUTIONS

GRANTS AND

CHARGES FOR

SERVICES

EXPENSES

FUNCTIONS/PROGRAMS

Governmental Activities:

Instruction	\$ 13,426,645	\$ 1,128,579	\$ 1,049,351	\$ (11,248,715)
Support Services	8,144,845	-0-	1,135,847	(7,008,998)
Noninstructional Services	1,141,242	289,833	818,714	(32,695)
Interest on Long-Term Debt	585,967	-0-	-0-	(585,967)
Total Governmental Activities	\$ 23,298,699	\$ 1,418,412	\$ 3,003,912	\$ (18,876,375)

General Revenues:

Taxes:

General Purpose Levies	5,924,847
Debt Purpose Levies	2,142,410

Unrestricted Grants and Contributions:

State	11,846,655
Federal	214,529
Unrestricted Investment Earnings	58,810
Other	148,503
Total General Revenues	<u>20,335,754</u>

Change in Net Position

1,459,379

Net Position - Beginning as previously reported

15,839,709

Prior Period Adjustments

(21,169)

Net Position - Beginning as Restated

15,818,540

Net Position - Ending

\$ 17,277,919

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

LAFAYETTE COUNTY SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS - EXHIBIT C
June 30, 2013

MAJOR FUNDS	THREE MILL SERIES 2004						TOTAL GOVERNMENTAL FUNDS
	IDEA	CAPITAL	BOND	OTHER	GOVERNMENTAL	GOVERNMENTAL	
	PART B FUND	PROJECTS FUND	ISSUE FUND	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	
ASSETS							
Cash and Cash Equivalents	\$ 4,597,735	\$ -0-	\$ 1,256,755	\$ 977,317	\$ 2,177,760	\$ 9,009,567	
Receivables from Other Governments	239,244	104,590	-0-	13,549	140,997	498,380	
Due from Other Funds	307,865	-0-	-0-	-0-	-0-	307,865	
Inventories	-0-	-0-	-0-	-0-	14,745	14,745	
Total Assets	\$ 5,144,844	\$ 104,590	\$ 1,256,755	\$ 990,866	\$ 2,333,502	\$ 9,830,557	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities:							
Accounts Payable and Accrued Liabilities	\$ 119,962	\$ -0-	\$ 673,811	\$ -0-	\$ 3,617	\$ 797,390	
Due to Other Funds	-0-	104,590	-0-	-0-	101,945	206,535	
Total Liabilities	119,962	104,590	673,811	-0-	105,562	1,003,925	
Deferred Inflows of Resources:							
Deferred Tuition and School Lunches	5,000	-0-	-0-	-0-	7,483	12,483	
Total Deferred Inflows of Resources	\$ 5,000	\$ -0-	\$ -0-	\$ -0-	\$ 7,483	\$ 12,483	

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

LAFAYETTE COUNTY SCHOOL DISTRICT
BALANCE SHEET- GOVERNMENTAL FUNDS - EXHIBIT C
June 30, 2013

	MAJOR FUNDS						
	GENERAL FUND	IDEA PART B FUND	THREE MILL CAPITAL PROJECTS FUND	SERIES 2004 BOND ISSUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
Fund Balances:							
Nonspendable:							
Inventory	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 14,745	\$ 14,745
Restricted for:							
Debt Service	-0-	-0-	-0-	990,866	1,249,904	2,240,770	
Capital Projects	-0-	-0-	582,944	-0-	5,471	588,415	
Unemployment Benefits	-0-	-0-	-0-	-0-	47,101	47,101	
Committed for:							
Technology	-0-	-0-	-0-	-0-	122,273	122,273	
Assigned to:							
Special Projects	-0-	-0-	-0-	-0-	780,963	780,963	
Unassigned	<u>5,019,882</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,019,882</u>	
Total Fund Balances	<u>5,019,882</u>	<u>-0-</u>	<u>582,944</u>	<u>990,866</u>	<u>2,220,457</u>	<u>8,814,149</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>5,144,844</u>	\$ <u>104,590</u>	\$ <u>1,256,755</u>	\$ <u>990,866</u>	\$ <u>2,333,502</u>	\$ <u>9,830,557</u>	

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION - EXHIBIT C-1
June 30, 2013

Total Fund Balances for Governmental Funds \$ 8,814,149

Amounts Reported for Governmental Activities in the
Statement of Net Position are Different Because:

1. Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:

Land	\$ 436,877	
Construction in Progress	1,045,214	
Buildings	20,922,414	
Building Improvements	2,313,477	
Improvements other than Buildings	2,724,586	
Mobile Equipment	3,151,589	
Furniture and Equipment	522,753	
Accumulated Depreciation	<u>(9,545,544)</u>	21,571,366

2. Long-term Liabilities and related accrued interest are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds:

General Obligation Bonds	(10,705,000)	
Notes Payable	(2,130,000)	
Compensated Absences	(160,391)	
Accrued Interest Payable	(73,650)	
Deferred Amount on Refunding	251,180	
Premium on Refunded Bonds	<u>(289,735)</u>	(13,107,596)

Net Position of Governmental Activities \$ 17,277,919

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS - EXHIBIT D
 For the Year Ended June 30, 2013

	THREE MILL SERIES 2004					TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	IDEA PART B FUND	CAPITAL PROJECTS FUND	BOND ISSUE FUND	OTHER GOVERNMENTAL FUNDS	
REVENUES						
Local Sources	\$ 6,708,378	\$ -0-	\$ 4,758	\$ 644,086	\$ 2,308,676	\$ 9,665,898
State Sources	12,046,004	-0-	-0-	-0-	503,228	12,549,232
Federal Sources	283,209	741,141	-0-	-0-	1,491,514	2,515,864
Total Revenues	<u>19,037,591</u>	<u>741,141</u>	<u>4,758</u>	<u>644,086</u>	<u>4,303,418</u>	<u>24,730,994</u>
EXPENDITURES						
Instruction	11,005,177	237,369	-0-	-0-	1,949,827	13,192,373
Support Services	6,472,600	488,772	-0-	-0-	1,179,674	8,141,046
Noninstructional Services	277	-0-	-0-	-0-	1,125,138	1,125,415
Facilities Acquisition and Construction	-0-	-0-	1,045,214	-0-	-0-	1,045,214
Debt Service:						
Principal	-0-	-0-	-0-	265,000	1,490,000	1,755,000
Interest	-0-	-0-	-0-	204,569	257,361	461,930
Other	-0-	-0-	18,749	1,800	165,454	186,003
Total Expenditures	<u>17,478,054</u>	<u>726,141</u>	<u>1,063,963</u>	<u>471,369</u>	<u>6,167,454</u>	<u>25,906,981</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,559,537</u>	<u>\$ 15,000</u>	<u>\$ (1,059,205)</u>	<u>\$ 172,717</u>	<u>\$ (1,864,036)</u>	<u>\$ (1,175,987)</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS - EXHIBIT D
 For the Year Ended June 30, 2013

	MAJOR FUNDS						TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	IDEA PART B FUND	THREE MILL CAPITAL PROJECTS FUND	SERIES 2004 BOND ISSUE FUND	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	
OTHER FINANCING SOURCES (USES)							
Bonds and Notes Issued	\$ -0-	\$ -0-	\$ 1,604,921	\$ -0-	\$ 525,079	\$ 2,130,000	
Insurance Recoveries	27,084	-0-	-0-	-0-	-0-	27,084	
Refunding Bonds Issued	-0-	-0-	-0-	-0-	8,505,000	8,505,000	
Premium on Refunding Bonds Issued	-0-	-0-	-0-	-0-	289,735	289,735	
Payment to Refunding Bond Escrow Agent	-0-	-0-	-0-	-0-	(8,606,180)	(8,606,180)	
Operating Transfers In	15,000	-0-	-0-	-0-	1,046,235	1,061,235	
Operating Transfers Out	(1,046,235)	(15,000)	-0-	-0-	-0-	(1,061,235)	
Total Other Financing Sources (Uses)	<u>(1,004,151)</u>	<u>(15,000)</u>	<u>1,604,921</u>	<u>-0-</u>	<u>1,759,869</u>	<u>2,345,639</u>	
Net Change in Fund Balances	555,386	-0-	545,716	172,717	(104,167)	1,169,652	
FUND BALANCES							
July 1, 2012, as previously reported	4,463,512	-0-	37,228	816,339	2,340,386	7,657,465	
Prior Period Adjustments	984	-0-	-0-	1,810	(2,536)	258	
July 1, 2012, as restated	<u>4,464,496</u>	<u>-0-</u>	<u>37,228</u>	<u>818,149</u>	<u>2,337,850</u>	<u>7,657,723</u>	
Increase (Decrease) in Reserve for Inventory	-0-	-0-	-0-	-0-	(13,226)	(13,226)	
June 30, 2013	<u>\$ 5,019,882</u>	<u>\$ -0-</u>	<u>\$ 582,944</u>	<u>\$ 990,866</u>	<u>\$ 2,220,457</u>	<u>\$ 8,814,149</u>	

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - EXHIBIT D-1
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 1,169,652

Amounts Reported for Governmental Activities in
the Statement of Activities are Different Because:

1. Governmental Funds Report Capital Outlays as Expenditures.
However, in the Statement of Activities, the Cost of Capital
Assets is Allocated Over Their Estimated Useful Lives as
Depreciation Expense. In the Current Period, These Amounts are:

Capital Outlay	\$ 1,494,028	
Depreciation Expense	<u>(767,668)</u>	726,360

2. In the Statement of Activities, Only the Gain/Loss on the Sale
of Assets is Reported, While in the Governmental Funds, the Proceeds
from the Sale Increases Financial Resources. Thus, the Change in
Net Assets Differs from the Change in Fund Balance by the Cost of
The Assets Sold. (7,020)

3. The Issuance of Long-Term Debt Provides Current Financial Resources
to Governmental Funds, While the Repayment of the Principal of
Long-Term Debt Consumes the Current Financial Resources of
Governmental Funds. Neither Transaction, However, has any
Effect on Net Position. Also, Governmental Funds Report the Effect
of Issuance Costs, Premiums, Discounts and the Difference
Between the Carrying Value of Refunded Debt and the Acquisition
Cost of Refunded Debt when Debt is First Issued. These Amounts
are Deferred and Amortized in the Statement of Activities:

Payments of Debt Principal	1,755,000	
Accrued Interest Payable (Increase) Decrease	68,110	
Deferred Amount on Refunding	251,180	
Payment on Capital Debt	8,355,000	
Bonds and Notes Issued	(2,130,000)	
Refunded Bonds Issued	(8,505,000)	
Premiums on Refunded Bonds Issued	<u>(289,735)</u>	(495,445)

4. Some Items Reported in the Statement of Activities do not
Provide or Require the Use of Current Financial Resources
and Therefore are not Reported as Revenues/Expenditures in
Governmental Funds. These Activities Include:

Change in Compensated Absences	85,202	
Change in Inventory Reserve	(13,226)	
Amortization of Deferred Charges, Premiums & Discounts	<u>(6,144)</u>	65,832
Change in Net Position of Governmental Activities		<u>\$ 1,459,379</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - EXHIBIT E
June 30, 2013

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>1,088,424</u>
Total Assets	\$ <u><u>1,088,424</u></u>
 LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 971,053
Due to Other Funds	101,330
Due to Student Clubs	<u>16,041</u>
Total Liabilities	\$ <u><u>1,088,424</u></u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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 (5) member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Lafayette 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 interfund 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position result 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 consist 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

IDEA-Part B Fund - This fund is used to account for the proceeds of funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

Three Mill Capital Project Fund - This fund is used to account for proceeds of three mill borrowing for capital outlays.

Series 2004 Bond Issue Fund - This fund is used to account for financial activity pertaining to the payment of principal and interest on Series 2004 bonds.

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

The District's fiduciary funds include the following:

Payroll Clearing - This account is used to clear all payroll checks.

Activity Agency Funds - Funds belonging to student clubs are kept in these accounts.

Accounts Payable Clearing - This account is used to clear all accounts payable checks of the District.

Insurance Clearing Fund-State Life and Health - These accounts are used to clear all payment to state for employee insurance.

Worker's Compensation Clearing - This fund is used to accumulate monthly liability for worker's compensation and to make the quarterly payment for the insurance.

Retirement and Payroll Tax Clearing - This fund is used to make the electronic payments for federal and state taxes and retirement benefits.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS:

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

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

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

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

FIDUCIARY FUNDS

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

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

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

Government 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.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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 are 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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances.

1. Cash, Cash Equivalents and Investments.

Cash and Cash Equivalents.

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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 3 months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and Payables.

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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

6. Capital Assets.

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

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

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

The following schedule details those thresholds:

	<u>CAPITALIZATION</u> <u>POLICY</u>	<u>ESTIMATED</u> <u>USEFUL LIFE</u>
Land	\$ -0-	-0-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements Other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

7. Deferred Outflows/Inflows of Resources.

In addition to assets, the Statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred amount on refunding as a deferred outflow 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one account reported as deferred inflows of resources: deferred tuition and school lunch.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

8. Compensated Absences.

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

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

9. Long-term Liabilities, Deferred Debt Expense, 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. See Note 5. 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 purpose 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:

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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 principle balance in a permanent fund.

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the vote of majority of members of Board of Education in favor of a commitment of fund balance and recorded in minutes of Board of Education.

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 by the Board of Education.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

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

NOTE 2. Cash and Cash Equivalents.

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

Deposits.

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

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 \$9,009,567 and \$1,088,424, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$9,009,567.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended 30, 2013

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, 2013, \$-0- of the district's bank balance of \$10,447,424 was exposed to custodial credit risk.

NOTE 3. Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General Fund	IDEA-Part B	\$ 104,590
	Other Governmental	
	Funds	101,945
	Fiduciary Funds	101,330
Total		\$ <u>307,865</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances should be paid within three months.

B. Interfund Transfers.

<u>TRANSFER OUT</u>	<u>TRANSFER IN</u>	<u>AMOUNT</u>
General Fund	Other Governmental	
	Funds	\$ 1,046,235
IDEA Part B	General Fund	15,000
Total		\$ <u>1,061,235</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve amounts, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 4. Capital Assets.

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

	BALANCE 7-1-2012	INCREASES	DECREASES	BALANCE 6-30-2013
Governmental Activities:				
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 436,877	\$ -0-	\$ -0-	\$ 436,877
Construction in Progress	-0-	1,045,214	-0-	1,045,214
Total Non-depreciable Capital Assets	<u>436,877</u>	<u>1,045,214</u>	<u>-0-</u>	<u>1,482,091</u>
<u>Depreciable Capital Assets:</u>				
Buildings	20,922,414	-0-	-0-	20,922,414
Building Improvements	2,313,477	-0-	-0-	2,313,477
Improvements Other Than Buildings	2,724,586	-0-	-0-	2,724,586
Mobile Equipment	2,873,283	348,500	70,194	3,151,589
Furniture and Equipment	422,439	100,314	-0-	522,753
Total Depreciable Capital Assets	<u>29,256,199</u>	<u>448,814</u>	<u>70,194</u>	<u>29,634,819</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	5,143,130	382,930	-0-	5,526,060
Building Improvements	642,636	92,539	-0-	735,175
Improvements Other Than Buildings	561,386	108,984	-0-	670,370
Mobile Equipment	2,126,721	138,571	63,174	2,202,118
Furniture and Equipment	367,177	44,644	-0-	411,821
Total Accumulated Depreciation	<u>8,841,050</u>	<u>767,668</u>	<u>63,174</u>	<u>9,545,544</u>
Total Depreciable Capital Assets, Net	<u>20,415,149</u>	<u>(318,854)</u>	<u>(7,020)</u>	<u>20,089,275</u>
Governmental Activities				
Capital Assets, Net	\$ <u>20,852,026</u>	\$ <u>726,360</u>	\$ <u>(7,020)</u>	\$ <u>21,571,366</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

Depreciation expense was charged to the following governmental functions:

	<u>AMOUNT</u>
GOVERNMENTAL ACTIVITIES:	
Instruction	\$ 311,095
Support Services	427,638
Non-Instructional	28,935
Total Depreciation Expense	\$ 767,668

The capital assets above include significant amounts of buildings and of furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress in composed of:

	<u>SPENT TO JUNE 30, 2013</u>	<u>REMAINING COMMITMENT</u>
GOVERNMENTAL ACTIVITIES:		
Multi-Purpose Facility		
Project #2012535	\$ 1,045,214	\$ 382,864
Total Governmental Activities	1,045,214	382,864
Total Construction in Progress	\$ 1,045,214	\$ 382,864

Construction projects included in governmental activities are funded with 3 mill borrowing of \$2,130,000.

NOTE 5. Long-Term Liabilities.

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

	<u>BALANCE 7-1-12</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6-30-13</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
A. General Obligation Bonds Payable	\$ 11,540,000	\$ -0-	\$ 9,340,000	\$ 2,200,000	\$ 820,000
B. General Obligation Refunding Bonds Payable	-0-	8,505,000	-0-	8,505,000	365,000
C. Premium on Refunded Bonds	-0-	289,735	-0-	289,735	-0-
D. Three-mill Notes Payable	770,000	2,130,000	770,000	2,130,000	255,000
E. Compensated Absences Payable	245,593	-0-	85,202	160,391	-0-
Total	\$ 12,555,593	\$ 10,924,735	\$ 10,195,202	\$ 13,285,126	\$ 1,440,000

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

The District has pledged the District's Education Enhancement Funds (EEF Funds) to be received from state pursuant to Section 37-61-33 of Miss Code Ann. (1972), as amended, in the approximate amount of \$66,644 per year to the payment of the Series 2005 Bonds. The Series 2005 General Obligation Bonds were paid off as part of the \$8,505,000 Advance Refunding Bonds issued by the District in 2013 thus releasing the pledged funds.

A. General Obligation Bonds Payable.

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

DESCRIPTION	INTEREST RATE	ISSUE DATE	MATURITY DATE	AMOUNTS	
				ISSUED	OUTSTANDING
General Obligation Bonds:					
Series 2002, Refunding	1.65-4.3 %	11/21/02	10/1/15	\$ 5,320,000	\$ 1,475,000
Series 2004	5.25-4.25 %	8/15/04	8/15/14	6,500,000	725,000
Series 2013, Refunding	1.00-2.25 %	4/16/13	8/15/21	<u>8,505,000</u>	<u>8,505,000</u>
Total				<u>\$20,325,000</u>	<u>\$10,705,000</u>

Details of the District's June 30, 2013, general obligation bonded indebtedness are as follows:

1. SERIES 2002 (REFUNDING):

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2014	\$ 470,000	\$ 52,360	\$ 522,360
2015	490,000	32,435	522,435
2016	515,000	11,073	526,073
Totals	\$ <u>1,475,000</u>	\$ <u>95,868</u>	\$ <u>1,570,868</u>

This debt will be retired from the Series 2002 Debt Service Fund.

2. SERIES 2004:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2014	\$ 350,000	\$ 20,625	\$ 370,625
2015	375,000	7,032	382,032
Totals	\$ <u>725,000</u>	\$ <u>27,657</u>	\$ <u>752,657</u>

This debt will be retired from the Series 2004 Debt Service Fund.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

3. SERIES 2013:

YEAR ENDING				
<u>JUNE 30</u>	<u>PRINCIPAL</u>		<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 365,000		\$ 138,549	\$ 503,549
2015	340,000		161,963	501,963
2016	1,115,000		147,413	1,262,413
2017	1,245,000		123,813	1,368,813
2018	1,345,000		97,913	1,442,913
2019-2022	4,095,000		146,094	4,241,094
Totals	\$ <u>8,505,000</u>		\$ <u>815,745</u>	\$ <u>9,320,745</u>

This debt will be retired from the Series 2013 Refunding Bond Fund.

Total general obligation bond payments for all issues:

YEAR ENDING				
<u>JUNE 30</u>	<u>PRINCIPAL</u>		<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 1,185,000		\$ 211,534	\$ 1,396,534
2015	1,205,000		201,429	1,406,429
2016	1,630,000		158,485	1,788,485
2017	1,245,000		123,813	1,368,813
2018	1,345,000		97,913	1,442,913
2019-2022	4,095,000		146,094	4,241,094
Totals	\$ <u>10,705,000</u>		\$ <u>939,268</u>	\$ <u>11,644,268</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. The Lafayette School District may, however, have an outstanding bonded indebtedness amount not to exceed 20% according to Section 37-59-7, Miss. Code Ann. (1972), since more than 9% of the total land area of the district is owned by the federal government and situated in a flood control reservoir or maintained as a part of the national forest system. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 9% of property assessments as of October 1, 2012.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

Advance Refunding

On April 16, 2013, the District issued \$8,505,000 of general obligation bonds with an average interest rate of 1.510% to advance refund \$8,355,000 of outstanding Series 2004 and Series 2005 general obligation bonds with an average interest rate of 4.05% and 3.58% respectively. The bonds were issued at a premium of \$289,735. The net proceeds of \$8,691,230 after payments of \$103,504 issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements of the Series 2005 general obligation bonds. The remainder of the proceeds deposited in the escrow account (including interest earnings thereon) shall be used to pay interest on each payment date through August 14, 2015, and to redeem all of the outstanding 2015 through 2021 maturities of the District's Series 2004 general obligation bonds on August 15, 2014.

As a result, the Series 2004 and Series 2005 General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The District advance refunded the Series 2005 bonds and partially refunded the Series 2004 government obligation bonds to reduce its total debt service payments over the remaining nine years by approximately \$277,259 and to realize an economic gain of \$765,000.

B. Three-mill Notes Payable.

Debt currently outstanding is as follows:

<u>DESCRIPTION</u>	<u>INTEREST RATE</u>	<u>ISSUE DATE</u>	<u>MATURITY DATE</u>	<u>AMOUNTS</u>	
				<u>ISSUED</u>	<u>OUTSTANDING</u>
Limited Tax Notes					
Series 2012	1.880%	12/28/12	12/28/21	\$ 2,130,000	\$ 2,130,000
Total				\$ 2,130,000	\$ 2,130,000

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

Details of the District's June 30, 2013, three-mill notes payable are as follows:

1. Three-mill Notes Payable - Series 2012

YEAR ENDING		<u>PRINCIPAL</u>		<u>INTEREST</u>		<u>TOTAL</u>
<u>JUNE 30</u>						
2014	\$	255,000	\$	40,044	\$	295,044
2015		285,000		35,250		320,250
2016		290,000		29,892		319,892
2017		295,000		24,440		319,440
2018		225,000		18,894		243,894
2019-2022		780,000		33,276		813,276
Totals	\$	<u>2,130,000</u>	\$	<u>181,796</u>	\$	<u>2,311,796</u>

This debt will be retired from the Three-Mill Fund. The proceeds of this borrowing is being used to build the multipurpose building at Lafayette County School and to pay off the balance of the 2009 Three Mill Note.

C. Compensated Absences Payable.

As more fully explained in Note 1(F)(7), 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 6. Other Commitments.

Commitments under construction contracts are described in Note 4.

NOTE 7. 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

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 for fiscal year ended June 30, 2013, was 14.26% 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, 2013, 2012, and 2011 were \$1,749,346, \$1,483,734 and \$1,396,104, respectively, which equaled the required contributions for each year.

NOTE 8. Prior Period Adjustments.

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Prior year bond issuance cost were Written off to implement GASB 65 early.	\$ 21,427
2. Prior period adjustments from Exhibit D	(258)
Total	\$ <u>21,169</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Adjustment due to other funds From prior periods	\$ 984
Major Fund-Series 2004 Bond Issue	Adjustment due to other funds From prior periods	1,810
Other Government Funds	Adjustment due from other funds from prior periods	(1,861)
	Correction of errors in change Fund for prior periods	(675)
Total		\$ <u>258</u>

Due to early implementation of GASB Statement No. 65, a prior period adjustment was made to remove bond issue costs that had previously been recorded as an asset and amortized annually over the life of the corresponding debt issue.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

NOTE 9. Contingencies.

Federal Grants.

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

Litigation.

The school district is not involved in any litigation that would materially affect the financial position of the District.

NOTE 10. Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

NOTE 11. Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated September 28, 1971, creating the Oxford-Lafayette County Vocational-Technical Center which has been renamed the Oxford-Lafayette County School of Applied Technology. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Oxford School District and Lafayette County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Lafayette County School District has been designated as the fiscal agent for the Oxford-Lafayette Co. School of Applied Technology, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Oxford-Lafayette Co. School of Applied Technology.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 For Year Ended June 30, 2013

Statement of Revenues, Expenditures and Changes in Fund Balance-
 Governmental Funds
 Oxford-Lafayette Co. School of Applied Technology
 For the Year ended June 30, 2013

Revenues

Local Sources:

Tuition from Other LEA's Within the State:

Oxford School District	\$ 250,000
Lafayette County School District	<u>250,000</u>
Total Tuition from Other LEA's Within the State	500,000

Interest	10,000
Miscellaneous	<u>-0-</u>
Total Local Sources	510,000

State Sources	213,556
Federal Sources	<u>57,184</u>
Total Revenues	<u>780,740</u>

Expenditures

Salaries	588,001
Employee Benefits	182,230
Professional Services	2,900
Purchased Property Services	63,461
Other Purchased Services	14,192
Supplies	44,110
Property	108,296
Other	<u>1,318</u>
Total Expenditures	<u>1,004,508</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(223,768)</u>
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Other Financing Sources

Transfers In	<u>270,140</u>
Total Other Financing Sources	<u>270,140</u>

Net Change in Fund Balance	46,372
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Fund Balance

July 1, 2012	<u>521,213</u>
June 30, 2013	<u>\$ 567,585</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

NOTE 12. Insurance Loss Recoveries.

The Lafayette School District received \$27,084 in insurance loss recoveries related to fire damage to high school during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other general revenue.

NOTE 13. Deferred Outflows/Inflows of Revenues.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District had one item that qualifies for reporting in this category, Deferred Amount on Refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item, Deferred Tuition and School Lunch.

NOTE 14. Accounting Changes.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The District early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012*-an amendment of GASB Statements No. 10 and No. 62, which have an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 2013

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limited fund based reporting on an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66, decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

NOTE 15. 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 Lafayette County School District evaluated the activity of the district through January 29, 2014, the financial statement issuance date, and determined that no subsequent event occurred requiring disclosure in the notes to the financial statements.

LAFAYETTE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 For the Year Ended June 30, 2013

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE	
				POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL		ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Local Sources	\$ 6,895,580	\$ 6,709,209	\$ 6,708,378	\$ 186,371	\$ 831
State Sources	12,003,070	12,046,004	12,046,004	(42,934)	-0-
Federal Sources	<u>253,465</u>	<u>283,209</u>	<u>283,209</u>	<u>(29,744)</u>	<u>-0-</u>
Total Revenues	<u>19,152,115</u>	<u>19,038,422</u>	<u>19,037,591</u>	<u>113,693</u>	<u>831</u>
EXPENDITURES:					
Instruction	11,842,594	11,004,512	11,005,177	(838,082)	665
Support Services	6,459,606	6,507,905	6,472,600	48,299	(35,305)
Non-Instructional Services	-0-	277	277	277	-0-
Facilities Acquisition & Construction	21,194	-0-	-0-	(21,194)	-0-
Debt Service:					
Principal	-0-	-0-	-0-	-0-	-0-
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>18,323,394</u>	<u>17,512,694</u>	<u>17,478,054</u>	<u>(810,700)</u>	<u>(34,640)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>828,721</u>	<u>1,525,728</u>	<u>1,559,537</u>	<u>(697,007)</u>	<u>(33,809)</u>
OTHER FINANCING SOURCES (USES)					
Insurance Loss Recoveries	-0-	27,084	27,084	(27,084)	-0-
Sale of Other Property	-0-	-0-		-0-	-0-
Operating Transfers In	1,882,220	1,890,067	15,000	(7,847)	1,875,067
Operating Transfers Out	<u>(3,157,514)</u>	<u>(2,921,820)</u>	<u>(1,046,235)</u>	<u>(235,694)</u>	<u>(1,875,585)</u>
Total Other Financing Sources (Uses)	<u>(1,275,294)</u>	<u>(1,004,669)</u>	<u>(1,004,151)</u>	<u>(270,625)</u>	<u>(518)</u>
Net Change in Fund Balances	<u>(446,573)</u>	<u>521,059</u>	<u>555,386</u>	<u>(967,632)</u>	<u>(34,327)</u>
FUND BALANCES					
July 1, 2012, as previously reported	4,463,512	4,463,512	4,463,512	-0-	-0-
Prior Period Adjustments	<u>984</u>	<u>984</u>	<u>984</u>	<u>-0-</u>	<u>-0-</u>
July 1, 2012, as restated	<u>4,464,496</u>	<u>4,464,496</u>	<u>4,464,496</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2013	<u>\$ 4,017,923</u>	<u>\$ 4,985,555</u>	<u>\$ 5,019,882</u>	<u>\$ (967,632)</u>	<u>\$ (34,327)</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR IDEA, PART B
 For the Year Ended June 30, 2013

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL		ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Federal Sources	\$ 779,863	\$ 929,269	\$ 741,141	\$ 149,406	\$ (188,128)
Total Revenues	<u>779,863</u>	<u>929,269</u>	<u>741,141</u>	<u>149,406</u>	<u>(188,128)</u>
EXPENDITURES:					
Instruction	256,230	342,530	237,369	(86,300)	105,161
Support Services	<u>450,149</u>	<u>571,739</u>	<u>488,772</u>	<u>(121,590)</u>	<u>82,967</u>
Total Expenditures	<u>706,379</u>	<u>914,269</u>	<u>726,141</u>	<u>(207,890)</u>	<u>188,128</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>73,484</u>	<u>15,000</u>	<u>15,000</u>	<u>(58,484)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	<u>-0-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-0-</u>
Net Change in Fund Balances	73,484	-0-	-0-	(73,484)	-0-
FUND BALANCES					
July 1, 2012	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2013	<u>\$ 73,484</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (73,484)</u>	<u>\$ -0-</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
For Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

LAFAYETTE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 227,441
National School Lunch Program	10.555	<u>662,250</u>
Total Child Nutrition Cluster		<u>889,691</u>
Total Pass-through Mississippi Department of Education		<u>889,691</u>
Total U.S. Department of Agriculture		<u>889,691</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	68,680
Flood Control Project	12.106	<u>18,849</u>
Total U. S. Department of Defense		<u>87,529</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	<u>43,034</u>
Total Federal Communications Commission		<u>43,034</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through Mississippi Department of Education:		
Career and Technical Education-Basic Grants to States	84.048	57,184
Education for Homeless Children and Youth	84.196	22,245
Improving Teacher Quality State Grants	84.367	91,001
Education Labor Fund	84.410	<u>15,008</u>
Subtotal		<u>185,438</u>
Title I Cluster:		
Title I-Grants to Local Educational Agencies	84.010	<u>395,512</u>
Total Title I Cluster		<u>\$ 395,512</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF EDUCATION - Continued</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	\$ 741,140
Special Education - Preschool Grants	84.173	<u>20,873</u>
Total Special Education Cluster		<u>762,013</u>
Total Passed-Through Mississippi Department of Education		<u>1,342,963</u>
Total U.S. Department of Education		<u>1,342,963</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	<u>10,691</u>
Total Passed-through Mississippi Department of Education		<u>10,691</u>
Total U.S. Department of Health and Human Services		<u>10,691</u>
Total for All Federal Awards		\$ <u>2,373,908</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.

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND
 OTHER EXPENDITURES-GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2013

<u>EXPENDITURES</u>	<u>TOTAL</u>	<u>INSTRUCTIONAL & OTHER STUDENT</u>			
		<u>INSTRUCTIONAL EXPENDITURES</u>	<u>GENERAL ADMINISTRATIVE</u>	<u>SCHOOL ADMINISTRATION</u>	<u>OTHER</u>
Salaries and Fringe					
Benefits	\$ 16,926,863	\$ 12,832,229	\$ 646,634	\$ 1,351,327	\$ 2,096,673
Other	<u>8,980,118</u>	<u>2,316,042</u>	<u>355,386</u>	<u>99,688</u>	<u>6,209,002</u>
Total	\$ <u>25,906,981</u>	\$ <u>15,148,271</u>	\$ <u>1,002,020</u>	\$ <u>1,451,015</u>	\$ <u>8,305,675</u>

Total Number of Students * 2,570

Cost per Student \$ 10,081 \$ 5,894 \$ 390 \$ 565 \$ 3,232

For purposes 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. (all the 1000, 2100 & 2200 function codes)

General Administration - includes expenditures for the following functions: Support Services - General Administrative (2300s); Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

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

LAFAYETTE COUNTY SCHOOL DISTRICT

OTHER INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
Last Four Years

	UNAUDITED			
	2013	2012*	2011*	2010*
REVENUES:				
Local Sources	\$ 6,708,378	\$ 6,328,780	\$ 5,957,778	\$ 5,965,056
State Sources	12,046,004	11,805,180	11,014,433	10,379,300
Federal Sources	<u>283,209</u>	<u>324,135</u>	<u>246,685</u>	<u>240,813</u>
Total Revenues	<u>19,037,591</u>	<u>18,458,095</u>	<u>17,218,896</u>	<u>16,585,169</u>
EXPENDITURES:				
Instruction	11,005,177	10,523,275	8,862,822	10,535,336
Support Services	6,472,600	5,732,939	5,132,758	5,430,939
Non-Instructional Services	277	-0-	-0-	-0-
Debt Service:				
Principal	-0-	-0-	-0-	24,841
Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>317</u>
Total Expenditures	<u>17,478,054</u>	<u>16,256,214</u>	<u>13,995,580</u>	<u>15,991,433</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,559,537</u>	<u>2,201,881</u>	<u>3,223,316</u>	<u>593,736</u>
OTHER FINANCING SOURCES (USES)				
Insurance Loss Recoveries	27,084	6,050	12,253	13,486
Sale of Other Property	-0-	253	870	-0-
Operating Transfers In	15,000	-0-	-0-	73,345
Operating Transfers Out	<u>(1,046,235)</u>	<u>(971,645)</u>	<u>(919,959)</u>	<u>(1,017,635)</u>
Total Other Financing Sources (Uses)	<u>(1,004,151)</u>	<u>(965,342)</u>	<u>(906,836)</u>	<u>(930,804)</u>
Net Change in Fund Balance	<u>555,386</u>	<u>1,236,539</u>	<u>2,316,480</u>	<u>(337,068)</u>
FUND BALANCES				
Beginning of Period, as previously reported	4,463,512	3,226,973	910,493	1,247,561
Prior Period Adjustment	984	-0-	-0-	-0-
Beginning of Period, as restated	<u>4,464,496</u>	<u>3,226,973</u>	<u>910,493</u>	<u>1,247,561</u>
End of Period	<u>\$ 5,019,882</u>	<u>\$ 4,463,512</u>	<u>\$ 3,226,973</u>	<u>\$ 910,493</u>

*Source - Prior Year Audit Reports

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUNDS
Last Four Years

	UNAUDITED			
	2013	2012*	2011*	2010*
REVENUES:				
Local Sources	\$ 9,665,898	\$ 9,290,187	\$ 8,880,627	\$ 8,807,980
State Sources	12,549,232	12,356,308	11,570,100	11,140,422
Federal Sources	<u>2,515,864</u>	<u>2,696,444</u>	<u>3,748,321</u>	<u>3,439,826</u>
Total Revenues	<u>24,730,994</u>	<u>24,342,939</u>	<u>24,199,048</u>	<u>23,388,228</u>
EXPENDITURES:				
Instruction	13,192,373	12,543,516	12,147,789	13,282,261
Support Services	8,141,046	7,043,702	6,479,554	7,104,521
Non-Instructional Services	1,125,415	1,088,194	1,057,227	1,047,977
Facilities Acquisition & Construction	1,045,214	-0-	-0-	125,079
Debt Service:				
Principal	1,755,000	1,510,000	1,475,000	1,379,841
Interest	461,930	515,974	576,250	633,013
Other	<u>186,003</u>	<u>12,549</u>	<u>6,672</u>	<u>6,694</u>
Total Expenditures	<u>25,906,981</u>	<u>22,713,935</u>	<u>21,742,492</u>	<u>23,579,386</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,175,987)</u>	<u>1,629,004</u>	<u>2,456,556</u>	<u>(191,158)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued	2,130,000	-0-	-0-	-0-
Refunded Bonds Issued	8,505,000	-0-	-0-	-0-
Insurance Loss Recoveries	27,084	6,050	12,253	13,486
Premium on Refunding Bonds Issued	289,735	-0-	-0-	-0-
Sale of Other Property	-0-	253	870	-0-
Payment to Refunded Bond Escrow Agent	(8,606,180)	-0-	-0-	-0-
Operating Transfers In	1,061,235	1,020,645	956,704	1,090,980
Operating Transfers Out	<u>(1,061,235)</u>	<u>(1,020,645)</u>	<u>(956,704)</u>	<u>(1,090,980)</u>
Total Other Financing Sources (Uses)	<u>2,345,639</u>	<u>6,303</u>	<u>13,123</u>	<u>13,486</u>
Net Change in Fund Balance	<u>1,169,652</u>	<u>1,635,307</u>	<u>2,469,679</u>	<u>(177,672)</u>
FUND BALANCES				
Beginning of Period, as previously reported	7,657,465	6,019,648	3,555,712	3,725,627
Prior Period Adjustments	258	-0-	-0-	-0-
Beginning of Period, as restated	<u>7,657,723</u>	<u>6,019,648</u>	<u>3,555,712</u>	<u>3,725,627</u>
Increase (Decrease) in Reserve for Inventory	<u>(13,226)</u>	<u>2,510</u>	<u>(5,743)</u>	<u>7,757</u>
End of Period	<u>\$ 8,814,149</u>	<u>\$ 7,657,465</u>	<u>\$ 6,019,648</u>	<u>\$ 3,555,712</u>

*Source - Prior Year Audit Reports

LAFAYETTE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Dwight L. Young, Sr., C.P.A.
1918 - 1977
Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.
P. Herbert Stanley, C.P.A.



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

Superintendent and School Board
Lafayette 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 the Lafayette County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lafayette County School District's basic financial statements and have issued our report thereon dated January 29, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette County School District'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2013-01.

Lafayette County School District's Response to Findings

Lafayette County School District's response to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lafayette County School District's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

The Dwight L. Young Group
Oxford, Mississippi
January 29, 2014

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008



Dwight L. Young, Jr., C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Superintendent and School Board
Lafayette County School District

Report on Compliance for Each Major Federal Program

We have audited Lafayette 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 Lafayette County School District's major federal programs for the year ended June 30, 2013. The Lafayette County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lafayette 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 Lafayette County 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. Our audit does not provide a legal determination on the Lafayette County School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Lafayette County School District complied, in all material respects, with the 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, 2013.

Internal Control Over Compliance

Management of Lafayette County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lafayette County School District's internal control over compliance with the 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 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 Lafayette County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is 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 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.

The Dwight L. Young Group

Oxford, Mississippi
January 29, 2014

LAFAYETTE COUNTY SCHOOL DISTRICT

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

Dwight L. Young, Sr., C.P.A.
1918 - 1977
Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.
P. Herbert Stanley, C.P.A.



804 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Superintendent and School Board
Lafayette County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2013, which collectively comprise Lafayette County School District's basic financial statements and have issued our report thereon dated January 29, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, 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 \$3,687 of classroom supply funds carried over from previous years.

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

The results of 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.

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

The Dwight H. Young Group

January 29, 2014

LAFAYETTE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiency identified? | None Reported |
| 3. Noncompliance material to financial statements noted: | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | None Reported |

5. Type of auditor's report issued on compliance for major programs:

Unqualified: Child Nutrition Cluster
 CFDA #10.553
 CFDA #10.555

 Special Education Cluster
 CFDA #84.027
 CFDA #84.173

 Title I-Grants to Local Education Agencies:
 CFDA #84.010

- | | |
|--|----|
| 6. Any audit finding(s) disclosed that are required to be reported
In accordance with Section 510(a) of OMB Circular A-133? | No |
|--|----|

7. Federal programs identified as major programs:

- | | |
|--|--|
| a. Child Nutrition Cluster: | |
| CFDA #10.553 | |
| CFDA #10.555 | |
| b. Special Education Cluster: | |
| CFDA #84.027 | |
| CFDA #84.173 | |
| c. Title I-Grants to Local Education Agencies: | |
| CFDA #84.010 | |

- | | |
|---|-----------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|---|-----------|

- | | |
|---|----|
| 9. Auditee qualified as a low-risk auditee. | No |
|---|----|

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant Deficiencies Considered to be Material Weaknesses

13-01

Condition:

The School District did not prepare the schedule for ad valorem tax limitation.

Effect:

The School District did not know if it were in compliance with Sections 37-57-105 and 37-57-1 which states that the aggregate receipts from taxes levied for school district purposes shall not exceed the aggregate receipts from those sources during any one (1) of the immediately preceding three (3) fiscal years, as determined by the School Board, plus an increase not to exceed seven percent (7%). If the aggregate receipts exceed (7%) then an escrow amount of the overage is established which could reduce the next fiscal year's calculation.

Cause:

The School District did not adhere to Section 37-57-107. The School District employs a financial administrator who is responsible for the preparation of financial reports, budgets and tax requests for the Superintendent and Board of Education. The Financial Administrator is qualified to prepare this schedule.

Recommendation:

The District should prepare the schedule for ad valorem tax limitation.

Section III: Federal Award Findings and Questioned Costs

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

LAFAYETTE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN



Lafayette County School District

100 Commodore Drive
Oxford, Mississippi 38655
Telephone: 662-234-3271
Fax: 662-236-3019

Adam Pugh, Ph.D.
Superintendent

January 29, 2014

Dwight L. Young, Jr. C.P.A.
The Dwight L. Young Group
606 South 16th Street
Oxford, MS 38655

Dear Mr. Young:

We have reviewed your finding on our June 30, 2013 audit and offer the following response:

13-01 The District will prepare the schedule of ad valorem limitation in the future to insure compliance with Section 37-57-107.

Regards,

Mark Brown, Business Manager