



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

LAUDERDALE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

LAUDERDALE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	19
Exhibit B – Statement of Activities	20
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	21
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	23
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	25
Exhibit F – Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	47
Notes to the Required Supplemental Information	48
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	50
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	51
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	53
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	54
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	65
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	69

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

318 W Main St. P.O. Box 583 Philadelphia, MS 39350
 Phone (601) 656-4252 Fax (601) 656-4236

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
Harry W. Stevens, CPA	J. Randy Scrivner, CPA
S. Keith Winfield, CPA	Kimberly S. Caskey, CPA
William B. Stagers, CPA	Susan M. Lummus, CPA
Aubrey R. Holder, CPA	Thomas J. Browder, CPA
Michael W. McCully, CPA	Stephen D. Flake, CPA
Mort Stroud, CPA	John N. Russell, CPA
R. Steve Sinclair, CPA	Thomas A. Davis, CPA
Michael L. Pierce, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
 Lauderdale 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 Lauderdale 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 Lauderdale 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 Lauderdale 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 Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lauderdale 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, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 May 23, 2014, on our consideration of the Lauderdale County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
May 23, 2014

Watkins Ward and Stafford PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Lauderdale 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$2,356,883, which represents a 5.99% decrease from fiscal year 2012. Total net assets for 2012 increased \$1,900,882, which includes a prior period adjustment of (\$2,915) and represents a 5.10% increase from fiscal year 2011.
- General revenues amounted to \$43,496,186 and \$43,542,568, or 82.36% and 81.37% 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 \$ 9,314,051, or 17.64% of total revenues for 2013, and \$9,967,667, or 18.63% of total revenues for 2012.
- The District had \$55,164,659 and \$51,606,438 in expenses for fiscal years 2013 and 2012; only \$9,314,051 for 2013 and \$9,967,667 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$43,496,186 for 2013 and \$43,542,568 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$43,643,666 in revenues and \$44,782,545 in expenditures for 2013, and \$43,342,928 in revenues and \$39,745,205 in expenditures in 2012. The General Fund's fund balance decreased by \$2,864,034, which includes a prior period adjustment of \$(2,463) from 2013 to 2012, and increased by \$2,915,337, which includes a prior period adjustment of (\$9,636) from 2012 to 2011.
- Capital assets, net of accumulated depreciation, decreased by \$524,997 for 2013 and decreased by \$1,091,988 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$669,015 for 2013 and decreased by \$712,075 for 2012. This decrease for 2013 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$12,104 for 2013 and increased by \$10,747 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

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

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

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

Notes to the financial statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$36,997,859 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

LAUDERDALE 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>	Percentage Change
Current assets	\$ 19,854,453	\$ 17,605,697	12.77 %
Restricted assets	489,708	3,660,062	-86.62 %
Capital assets, net	27,173,634	27,698,631	-1.90 %
Total assets	<u>47,517,795</u>	<u>48,964,390</u>	-2.95 %
Current liabilities	1,866,709	275,300	578.06 %
Long-term debt outstanding	8,653,227	9,334,346	-7.30 %
Total liabilities	<u>10,519,936</u>	<u>9,609,646</u>	9.47 %
Net position:			
Net investment in capital assets	19,805,367	19,898,631	-0.47 %
Restricted	5,379,896	3,716,126	44.77 %
Unrestricted	11,812,596	15,739,987	-24.95 %
Total net position	<u>\$ 36,997,859</u>	<u>\$ 39,354,744</u>	-5.99 %

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

- Decrease in net capital assets in the amount of \$524,997.
- The principal retirement of \$849,015 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$52,810,237 and \$53,510,235, respectively. The total cost of all programs and services was \$55,164,659 for 2013 and \$51,606,438 for 2012.

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,403,041	\$ 1,498,439	(6.37) %
Operating grants and contributions	7,911,010	8,469,228	(6.59) %
General revenues:			
Property taxes	12,154,573	11,498,656	5.70 %
Grants and contributions not restricted	30,543,219	30,851,879	(1.00) %
Investment earnings	395,137	391,384	0.96 %
Sixteenth section sources	320,576	698,080	(54.08) %
Other	82,681	102,569	(19.39) %
Total revenues	52,810,237	53,510,235	(1.31) %
Expenses:			
Instruction	32,031,625	31,524,122	1.61 %
Support services	19,842,268	16,745,466	18.49 %
Non-instructional	2,882,461	2,812,292	2.50 %
Sixteenth section	179,753	214,327	(16.13) %
Interest on long-term liabilities	228,552	310,231	(26.33) %
Total expenses	55,164,659	51,606,438	6.89 %
Increase in net assets	(2,354,422)	1,903,797	(223.67) %
Net Position, July 1, as previously reported	39,354,744	37,453,862	5.08 %
Prior Period Adjustment	(2,463)	(2,915)	15.51 %
Net Position, July 1, as restated *	39,352,281	37,450,947	5.08 %
Net Position, June 30	\$ 36,997,859	\$ 39,354,744	(5.99) %

Governmental activities

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 32,031,625	\$ 31,524,122	1.61 %
Support services	19,842,268	16,745,466	18.49 %
Non-instructional	2,882,461	2,812,292	2.50 %
Sixteenth section	179,753	214,327	(16.13) %
Interest on long-term liabilities	228,552	310,231	(26.33) %
Total expenses	\$ 55,164,659	\$ 51,606,438	6.89 %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (27,556,343)	\$ (26,436,805)	4.23 %
Support services	(18,044,622)	(14,907,354)	21.05 %
Non-instructional	129,969	165,573	(21.50) %
Sixteenth section	(151,060)	(149,954)	0.74 %
Interest on long-term liabilities	(228,552)	(310,231)	(26.33) %
Total net (expense) revenue	\$ (45,850,608)	\$ (41,638,771)	10.12 %

- Net cost of governmental activities (\$45,850,608 for 2013 and \$41,638,771 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$12,154,573 for 2013 and \$11,498,656 for 2012) and state and federal revenues (\$30,543,219 for 2013 and \$30,851,879 for 2012). In addition, there was \$320,576 and \$698,080 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$395,137 for 2013 and \$391,384 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.

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 \$18,313,996, a decrease of \$2,761,758, which includes a prior period adjustment of \$(2,463) and an increase in inventory of \$4,894. \$12,708,161 or 69% 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 \$5,605,835 or 31% 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.

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,864,034, which includes a prior period adjustment of \$(2,463). The fund balance of Other Governmental Funds showed an increase in the amount of \$102,276, which includes an increase in reserve for inventory of \$4,894.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$43,908,990, including land, construction in progress, school buildings, improvements other than building, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$528,858 from 2012. Total accumulated depreciation as of June 30, 2013, was \$16,735,356, and total depreciation expense for the year was \$1,140,823 resulting in total net capital assets of \$27,173,634.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 482,482	\$ 482,482	0.00 %
Construction in Progress	522,851		
Buildings	22,965,875	23,618,649	(2.76) %
Improvements other than buildings	1,279,195	1,381,286	(7.39) %
Mobile equipment	1,675,243	1,994,905	(16.02) %
Furniture and equipment	247,988	221,309	12.06 %
Total	<u>\$ 27,173,634</u>	<u>\$ 27,698,631</u>	<u>(1.90) %</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Debt Administration. At June 30, 2013, the District had \$8,653,227 in outstanding long-term debt, of which \$1,148,591 is due within one year. The liability for compensated absences decreased \$12,104 from the prior year.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 5,780,000	\$ 6,300,000	(8.25) %
Obligations under energy efficiency leases	880,457	1,029,472	(14.47) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	492,770	504,874	(2.40) %
Total	<u>\$ 8,653,227</u>	<u>\$ 9,334,346</u>	<u>(7.30) %</u>

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

CURRENT ISSUES

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

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

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

Enrollment for the 2012-2013 year increased by 3% to 6,433 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lauderdale County School District, P.O. Box 5498, Meridian, MS 39301.

(This page left blank intentionally)

FINANCIAL STATEMENTS

(This page left blank intentionally)

Lauderdale County School District
Statement of Activities
For The Fiscal Year Ended June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 18,506,216
Due from other governments	990,389
Other receivables, net	25,620
Inventories	80,504
Prepaid items	159,112
Deferred debt issuance costs	92,612
Restricted assets	489,708
Capital assets, non-depreciable:	
Land	482,482
Construction in progress	522,851
Capital assets, net of accumulated depreciation:	
Buildings	22,965,875
Improvements other than buildings	1,279,195
Mobile equipment	1,675,243
Furniture and equipment	247,988
Total Assets	<u>47,517,795</u>
Liabilities	
Accounts payable and accrued liabilities	1,755,299
Unearned revenue	23,143
Long-term liabilities, due within one year:	
Capital related liabilities	985,000
Non-capital related liabilities	163,591
Long-term liabilities, due beyond one year:	
Capital related liabilities	6,295,000
Non-capital related liabilities	1,209,636
Deferred charges	88,267
Total Liabilities	<u>10,519,936</u>
Net Position	
Net Investment in Capital Assets	19,805,367
Restricted for:	
Expendable:	
School-based activities	2,764,208
Debt service	1,744,301
Forestry improvements	366,033
Unemployment benefits	121,859
Non-expendable:	
Sixteenth section	383,495
Unrestricted	11,812,596
Total Net Position	<u>\$ 36,997,859</u>

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

Lauderdale County School District
Statement of Activities
For The Fiscal Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 32,031,625	\$ 551,580	\$ 3,923,702	\$	\$ (27,556,343)	
Support services	19,842,268	51,379	1,746,267		(18,044,622)	
Non-instructional	2,882,461	771,389	2,241,041		129,969	
Sixteenth section	179,753	28,693			(151,060)	
Interest on long-term liabilities	228,552				(228,552)	
Total Governmental Activities	\$ 55,164,659	\$ 1,403,041	\$ 7,911,010	\$	\$ (45,850,608)	

General Revenues:

Taxes:

General purpose levies 11,438,870

Debt purpose levies 715,703

Unrestricted grants and contributions:

State 30,224,649

Federal 318,570

Unrestricted investment earnings 395,137

Sixteenth section sources 320,576

Other 82,681

Total General Revenues 43,496,186

Change in Net Position (2,354,422)

Net Position - Beginning, as previously reported 39,354,744

Prior Period Adjustments (2,463)

Net Position - Beginning 39,352,281

Net Position - Ending **\$ 36,997,859**

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

Lauderdale County School District
 Governmental Funds
 Balance Sheet
 6/30/2013

Exhibit C

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 13,791,090	\$ 5,098,621	\$ 18,889,711
Cash with fiscal agents		1,236	1,236
Investments		104,977	104,977
Due from other governments	567,345	423,044	990,389
Other receivables, net	1,557	24,063	25,620
Due from other funds	363,719		363,719
Inventories		80,504	80,504
Total assets	\$ 14,723,711	\$ 5,732,445	\$ 20,456,156
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,630,500	\$ 124,798	\$ 1,755,298
Due to other funds		363,719	363,719
Unearned revenue		23,143	23,143
Total Liabilities	1,630,500	511,660	2,142,160
Fund Balances:			
Nonspendable:			
Inventory		80,504	80,504
Permanent fund principal		383,495	383,495
Restricted:			
Debt service		1,585,189	1,585,189
Forestry improvement purposes		366,033	366,033
Grant activities		1,164,629	1,164,629
Unemployment benefits		121,859	121,859
16th section interest		1,519,076	1,519,076
Assigned:			
Activity funds	352,901		352,901
Other	32,149		32,149
Unassigned	12,708,161		12,708,161
Total Fund Balances	13,093,211	5,220,785	18,313,996
Total Liabilities and Fund Balances	\$ 14,723,711	\$ 5,732,445	\$ 20,456,156

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

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For The Fiscal Year Ended June 30, 2013

Total fund balances for governmental funds \$ 18,313,996

Amounts reported for governmental activities in the statement of net position are different because:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 482,482	
Construction in progress	522,851	
Buildings	32,354,409	
Improvements other than buildings	2,552,289	
Mobile equipment	6,841,953	
Furniture and equipment	1,155,006	
Accumulated depreciation	<u>(16,735,356)</u>	27,173,634

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

Limited obligation bonds	\$ (1,500,000)	
Notes payable	(5,780,000)	
Obligations under energy efficiency lease	(880,457)	
Compensated absences	(492,770)	
Deferred debt issuance cost	92,612	
Prepaid interest, net of accrued interest payable	159,112	
Deferred charges	<u>(88,269)</u>	(8,489,772)

- Rounding 1

Net position of governmental activities \$ 36,997,859

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

Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended June 30, 2013

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
Revenues:			
Local sources	\$ 12,399,233	\$ 1,572,458	\$ 13,971,691
State sources	30,925,863	1,133,858	32,059,721
Federal sources	318,570	6,075,937	6,394,507
Sixteenth section sources		382,630	382,630
Total Revenues	43,643,666	9,164,883	52,808,549
Expenditures:			
Instruction	26,867,847	4,947,623	31,815,470
Support services	17,717,875	1,827,703	19,545,578
Noninstructional services		2,907,552	2,907,552
Sixteenth section		179,753	179,753
Debt service:			
Principal	149,015	700,000	849,015
Interest	47,808	248,996	296,804
Other	-	102,902	102,902
Total Expenditures	44,782,545	10,914,529	55,697,074
Excess (Deficiency) of Revenues over (under) Expenditures	(1,138,879)	(1,749,646)	(2,888,525)
Other Financing Sources (Uses):			
Insurance recovery	21,734		21,734
Refunding note issued		4,855,000	4,855,000
Payment to escrow agent		35,000	35,000
Premiums on note and refunding note issued		98,074	98,074
Payment to refunded note escrow agent		(4,850,672)	(4,850,672)
Sale of other property	200		200
Operating transfers in	83,225	1,827,851	1,911,076
Operating transfers out	(1,827,851)	(83,225)	(1,911,076)
Payment held by escrow agent		(35,000)	(35,000)
Total Other Financing Sources (Uses)	(1,722,692)	1,847,028	124,336
Net Change in Fund Balances	(2,861,571)	97,382	(2,764,189)
Fund Balances:			
July 1, 2012, as previously reported	17,271,246	3,804,508	21,075,754
Prior period adjustments	(1,316,464)	1,314,001	(2,463)
July 1, 2012,	15,954,782	5,118,509	21,073,291
Increase (Decrease) in reserve for inventory		4,894	4,894
June 30, 2013	\$ 13,093,211	\$ 5,220,785	\$ 18,313,996

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

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

Net change in fund balances - total governmental funds \$ (2,764,189)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 629,217	
Depreciation expense	<u>(1,140,823)</u>	(511,606)

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 position differs from the change in fund balance by the cost of the assets sold. (13,391)

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:

Refunding note issued	(4,855,000)	
Premiums on note and refunding note issued	(98,076)	
Debt issuance cost	102,902	
Payments of debt principal	849,015	
Payments to refunded note escrow agent	4,850,672	
Accrued interest payable	<u>68,735</u>	918,248

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	12,104	
Amortization of discount and other debt costs	(482)	
Change in inventory reserve	<u>4,894</u>	16,516

Change in net position of governmental activities \$ (2,354,422)

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

Lauderdale County School District
 Fiduciary Funds
 Statement of Fiduciary Assets and Liabilities
 6/30/2013

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 2,641	\$ 2,329,286
Total Assets	<u>2,641</u>	<u>\$ 2,329,286</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 0	\$ 2,010,688
Due to student clubs	0	318,598
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,329,286</u>
Net Position		
Reserved for endowments	<u>2,641</u>	
Total Net Position	<u>\$ 2,641</u>	

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

Lauderdale County School District
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2013

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 54
Total Additions	<u>54</u>
Deductions	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Position	<u>(446)</u>
Net Position	
July 1, 2012	<u>3,087</u>
June 30, 2013	<u>\$ 2,641</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the 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 member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

President Freedom Fund – This is the District's private purpose trust fund to account for endowments.

Payroll Clearing Fund – This is the District's clearing fund used for payments of payroll and benefits.

Club Fund – This is the District's activity fund to record assets and liabilities of the District's various student clubs.

Cafeteria Plan Fund – This is the District's fund to record assets and liabilities of the District's cafeteria plan.

Accounts Payable Clearing Fund – This is the District's clearing fund used to pay claims of the District.

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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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 2005 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, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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, buildings, building improvements, vehicles, machinery, equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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

7. 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.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

restricted or committed. Assignments of fund balance are created by the School District business manager pursuant to authorization established by official School Board policy.

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$18,889,711 and \$ 2,331,927, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,236.

Investments

As of June 30, 2013, the district had the following investment:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury Securities	AAA	more than one year	\$ 104,977
Total			<u>\$ 104,977</u>

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Treasury Securities	\$ 104,977	100%

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 363,719
Total		<u>\$ 363,719</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 1,827,851
Other governmental funds	General Fund	83,225
Total		<u>\$ 1,911,076</u>

The purpose of the interfund transfers is to transfer federal program indirect cost to the General Fund and to close-out federal program funds at year end. A transfer was made to other governmental funds from EEF Building and Buses Fund to make note payment.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$ 383,495, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$1,236 and \$104,977, respectively, of the QSCB Bond Retirement Fund.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 5 – 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	\$ 482,482			482,482
Construction in progress		522,851		522,851
Total non-depreciable capital assets	482,482	522,851		1,005,333
<u>Depreciable capital assets:</u>				
Buildings	32,354,409			32,354,409
Improvements other than buildings	2,552,289			2,552,289
Mobile equipment	6,889,491	9,162	56,700	6,841,953
Furniture and equipment	1,101,461	97,204	43,659	1,155,006
Total depreciable capital assets	42,897,650	106,366	100,359	42,903,657
<u>Less accumulated depreciation for:</u>				
Buildings	8,735,760	652,774		9,388,534
Improvements other than buildings	1,171,003	102,091		1,273,094
Mobile equipment	4,894,586	323,154	51,030	5,166,710
Furniture and equipment	880,152	62,804	35,938	907,018
Total accumulated depreciation	15,681,501	1,140,823	86,968	16,735,356
Total depreciable capital assets, net	27,216,149	(1,034,457)	13,391	26,168,301
Governmental activities capital assets, net	\$ 27,698,631	\$ (511,606)	\$ 13,391	\$ 27,173,634

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 770,191
Support services	348,194
Non-instructional	22,438
Total depreciation expense - Governmental activities	\$ 1,140,823

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Baseball Lighting	\$ 522,851	\$ 530,241
Total governmental activities	\$ 522,851	\$ 530,241

Construction projects included in governmental activities are funded with general funds revenue.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Adjustment	Balance 6/30/2013	Amounts Due Within One Year
Three mill notes payable	\$ 6,300,000		700,000	180,000	5,780,000	985,000
Obligations under energy efficiency leases	1,029,472		149,015		880,457	163,591
Qualified School Construction bonds payable	1,500,000				1,500,000	
Compensated absences payable	504,874	-	12,104	-	492,770	-
Total	\$ 9,334,346	-	861,119	180,000	8,653,227	1,148,591

* represents proceeds of refunding bonds totaling \$4,855,000 less amount of old bonds defeased totaling \$4,675,000

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill ten year note payable	2.5- 3.125%	7/24/2003	7/24/2013	\$ 1,910,000	\$ 325,000
2. Three mill ten year note payable	3.8- 5.375%	4/1/2006	4/1/2014	6,250,000	600,000 *
3. Three mill ten year note payable	2- 2.25%	4/1/2013	4/1/2022	4,855,000	4,855,000
Total				\$ 13,015,000	\$ 5,780,000

* \$4,675,000 of this note was defeased during the year.

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

1. Three mill notes payable issue of July 24, 2003:

Year Ending June 30	Principal	Interest	Total
2014	\$ 325,000	\$ 10,156	\$ 335,156
Total	\$ 325,000	\$ 10,156	\$ 335,156

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2003 is secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to secure the 2014 through 2022 maturities of the note in the approximate amounts of \$224,580 each year. The note proceeds were used for purchasing tractors and school buses.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

2. Three mill notes payable issue of April 1, 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 600,000	\$ 113,549	\$ 713,549
Total	<u>\$ 600,000</u>	<u>\$ 113,549</u>	<u>\$ 713,549</u>

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2006 is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss Code Ann. (1972). The EEF funds pledge is to secure the 2014 maturity of the note. The note proceeds were used for building additions and renovations.

This note had an original maturity date of 2022 but \$4,675,000 of this note was defeased by a refunding note issued on April 1, 2013 (see below).

3. Three mill notes payable issue of April 1, 2013:

Year Ending June 30	Principal	Interest	Total
2014	\$ 60,000	\$ 93,458	\$ 153,458
2015	650,000	98,637	748,637
2016	665,000	85,637	750,637
2017	605,000	72,337	677,337
2018	620,000	60,237	680,237
2019 – 2022	2,255,000	120,537	2,375,537
Total	<u>\$ 4,855,000</u>	<u>\$ 530,843</u>	<u>\$ 5,385,843</u>

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 985,000	\$ 217,163	\$ 1,202,163
2015	650,000	98,637	748,637
2016	665,000	85,637	750,637
2017	605,000	72,337	677,337
2018	620,000	60,237	680,237
2019-2022	2,255,000	120,537	2,375,537
Total	<u>\$ 5,780,000</u>	<u>\$ 654,548</u>	<u>\$ 6,434,548</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Advance Refunding

On April 24, 2013, the district issued \$ 4,855,000 in three mills note payable with an average interest rate of 2 % to advance refund \$ 4,675,000 of outstanding three mills note payable with an average interest rate of 4.59%. The net proceeds of \$4,850,173 after payments of \$102,901 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the three mills note payable.

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

The district advance refunded the \$4,675,000 to reduce its total debt service payments over the remaining 9 years of the debt by approximately \$281,053 and to realize an economic gain of \$178,152.

The district incurred costs and deferrals with this debt that will be amortized over the ten year life of the note. These include note issuance costs of \$102,901 and a premium paid for the note of \$98,074. The note issuance also included prepaid interest which is being held in an escrow account and is classified on these financial statements as prepaid items in the amount of \$175,672, net of accrued interest payable in the amount of \$16,560 for a balance of \$159,112

B. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GE Capital Solutions					
Energy Efficiency Lease	4.67%	2/7/2003	2/7/2018	\$ 1,881,885	\$ 880,457
Total				<u>\$ 1,881,885</u>	<u>\$ 880,457</u>

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

Obligations under energy efficiency leases issue of February 7, 2003:

Year Ending	Principal	Interest	Total
June 30			
2014	\$ 163,591	\$ 37,750	\$ 201,341
2015	176,664	29,832	206,496
2016	190,592	21,287	211,879
2017	205,418	12,070	217,488
2018	144,192	2,578	146,770
Total	<u>\$ 880,457</u>	<u>\$ 103,517</u>	<u>\$ 983,974</u>

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

An energy efficiency lease agreement dated August 23, 2005, was executed by and between the district, the lessee, and Transamerica Public Finance, LLC, the lessor.

The agreement authorized the borrowing of \$1,881,885 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

of the lease shall be made from the district maintenance fund and not to exceed fifteen (15)

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

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

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	0.69%	12/21/2009	9/15/2024	\$ 1,500,000	\$ 1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

D. 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 7 - Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Savin 8065 Digital Laser Copier
2. Toshiba High-Speed Digital Console Copier E-Studio 855
3. Toshiba E45 Digital Copier System
4. Toshiba Digital Plain Color Copier Model E-Studio 2500c
5. 2 Toshiba E-453 CPM Digital Copiers
6. Ricoh 907 Ex Digital

Lease expenditures for the year ended June 30, 2013, amounted to \$ 13,329.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 17,566
2015	14,066
2016	7,388
2017	227
Total	<u>\$ 39,247</u>

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 8 – Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate 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 \$4,443,244, \$3,802,712 and \$3,524,229, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending	Amount
June 30	
2014	\$ 207,558
2015	210,300
2016	211,788
2017	207,070
2018	194,741
2019-2023	1,041,525
2024-2028	1,136,529
2029-2033	1,119,156
2034-2038	252,852
Total	<u>\$ 4,581,519</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Reduction due to prior year receivable not being received	\$ (2,463)
Total	<u>\$ (2,463)</u>

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

Fund	Explanation	Amount
General Fund	Reduction in receivable from prior year	\$ (2,463)
General Fund	Reclassification of sixteenth section interest funds	(1,314,001)
Other Governmental Funds	Reclassification of sixteenth section interest funds	1,314,001
Total		<u>\$ (2,463)</u>

Note 11 – 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 party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 12 – 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

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 members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department.

Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$106,213. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 55,000
2015	60,000
2016	80,000
2017	80,000
2018	140,000
2019-2023	700,000
2024-2026	280,000
Total	<u>\$ 1,395,000</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2013

Note 14 - Insurance loss recoveries

The Lauderdale County School District received \$6,489 in insurance loss recoveries related to stolen property and \$15,245 in insurance loss recoveries related to bus damages during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss		
Recoveries	Percentage	Expense Function
\$ 21,734	100%	Support services
<u>\$ 21,734</u>	<u>100%</u>	

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 the Lauderdale County School District evaluated the activity of the district through May 23, 2014 (the date the financial statements were available to be issued), and determined that there had not been any subsequent events that required disclosure in the notes to the financial statements.

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

REQUIRED SUPPLEMENTAL INFORMATION

LAUDERDALE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

(This page left blank intentionally)

**Lauderdale County School District
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 11,949,537	\$ 12,399,237	\$ 12,399,233	\$ 449,700	\$ (4)
State sources	30,561,261	30,925,864	30,925,863	364,603	(1)
Federal sources	20,000	318,570	318,570	298,570	-
Total Revenues	42,530,798	43,643,671	43,643,666	1,112,873	(5)
Expenditures:					
Instruction	26,734,422	26,867,847	26,867,847	(133,425)	-
Support services	17,051,977	17,555,092	17,717,875	(503,115)	(162,783)
Noninstructional services	1,000			1,000	-
Facilities acquisition and construction		176,400		(176,400)	176,400
Debt service:					
Principal	136,109	149,015	149,015	(12,906)	-
Interest	55,608	47,808	47,808	7,800	-
Total Expenditures	43,979,116	44,796,162	44,782,545	(817,046)	13,617
Excess (Deficiency) of Revenues over (under) Expenditures	(1,448,318)	(1,152,491)	(1,138,879)	295,827	13,612
Other Financing Sources (Uses):					
Insurance recovery	5,000	21,734	21,734	16,734	-
Sale of transportation equipment	500			(500)	-
Sale of other property	500	200	200	(300)	-
Operating transfers in	5,529,735	6,639,891	83,225	1,110,156	(6,556,666)
Operating transfers out	(7,494,238)	(8,384,517)	(1,827,851)	(890,279)	6,556,666
Total Other Financing Sources (Uses)	(1,958,503)	(1,722,692)	(1,722,692)	235,811	-
Net Change in Fund Balances	(3,406,821)	(2,875,183)	(2,861,571)	531,638	13,612
Fund Balances:					
July 1, 2012, as previously reported *	11,887,612	15,957,245	17,271,246	4,069,633	(1,314,001)
Prior period adjustments		(2,463)	(1,316,464)	(2,463)	1,314,001
July 1, 2012	11,887,612	15,954,782	15,954,782	4,067,170	-
June 30, 2013	\$ 8,480,791	\$ 13,079,599	\$ 13,093,211	\$ 4,598,808	\$ 13,612

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the 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.

SUPPLEMENTAL INFORMATION

Lauderdale County School District
 Supplemental Information
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 595,675
National school lunch program	10.555	1,695,485
Summer food service program for children	10.559	10,841
Total child nutrition cluster		<u>2,302,001</u>
Total passed-through Mississippi Department of Education		<u>2,302,001</u>
Total U.S. Department of Agriculture		<u>2,302,001</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	7,780
Total U.S. Department of Defense		<u>7,780</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	255,180
Total Federal Communications Commission		<u>255,180</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Federal Communications Commission	84.041	63,390
Subtotal		<u>63,390</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	64,223
Improving teacher quality state grants	84.367	496,813
Subtotal		<u>561,036</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,474,274
Total Title I cluster		<u>1,474,274</u>
Special education cluster:		
Special education - grants to states	84.027	1,597,824
Special education - preschool grants	84.173	43,841
Total special education cluster		<u>1,641,665</u>
Total passed-through Mississippi Department of Education		<u>3,740,365</u>
Total U.S. Department of Education		<u>3,740,365</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	29,994
Total passed-through Mississippi Department of Education		<u>29,994</u>
Total U.S. Department of Health and Human Services		<u>29,994</u>
Total for All Federal Awards		<u>\$ 6,335,320</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.

Lauderdale County School District
 Supplemental Information
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 42,030,851	32,967,675	1,112,504	2,952,904	4,997,768
Other	13,666,223	3,348,095	527,344	176,131	9,614,653
Total	\$ 55,697,074	36,315,770	1,639,848	3,129,035	14,612,421
Total number of students *	6,433				
Cost per student	\$ 8,658	5,645	255	486	2,271

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

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

OTHER INFORMATION

Lauderdale County School District
 Other Information
 Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years
 UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 12,399,233	\$ 11,781,892	\$ 11,739,616	\$ 12,075,315
State sources	30,925,863	30,735,443	28,268,752	28,576,435
Federal sources	318,570	239,160	224,142	173,793
Sixteenth section sources		586,433		
Total Revenues	43,643,666	43,342,928	40,232,510	40,825,543
Expenditures:				
Instruction	26,867,847	24,837,331	22,144,577	23,059,539
Support services	17,717,875	14,525,675	14,434,610	13,649,521
Noninstructional services		1,058	4,884	33,883
Sixteenth section		189,033		
Facilities acquisition and construction				1,054,929
Debt service:				
Principal	149,015	137,075	125,951	119,956
Interest	47,808	55,033	61,674	63,852
Total Expenditures	44,782,545	39,745,205	36,771,696	37,981,680
Excess (Deficiency) of Revenues over (under) Expenditures	(1,138,879)	3,597,723	3,460,814	2,843,863
Other Financing Sources (Uses):				
Insurance recovery	21,734	22,156	4,500	8,800
Sale of transportation equipment		13,521		
Sale of other property	200	1,638	177	
Operating transfers in	83,225	1,123,165	1,110,537	206,021
Operating transfers out	(1,827,851)	(1,833,230)	(2,531,099)	(1,870,371)
Total Other Financing Sources (Uses)	(1,722,692)	(672,750)	(1,415,885)	(1,655,550)
Net Change in Fund Balances	(2,861,571)	2,924,973	2,044,929	1,188,313
Fund Balances:				
July 1, as previously reported	17,271,246	14,355,909	12,310,980	11,122,667
Prior period adjustments	(1,316,464)	(9,636)		
July 1, as restated	15,954,782	14,346,273	12,310,980	11,122,667
June 30	\$ 13,093,211	\$ 17,271,246	\$ 14,355,909	\$ 12,310,980

*SOURCE - PRIOR YEAR AUDIT REPORTS

Lauderdale County School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 13,971,691	\$ 13,397,438	\$ 13,497,977	\$ 14,407,060
Intermediate sources			53,244	39,560
State sources	32,059,721	31,815,764	29,302,596	29,549,542
Federal sources	6,394,507	7,505,343	9,873,918	9,527,621
Sixteenth section sources	382,630	790,052	818,482	383,093
Total Revenues	52,808,549	53,508,597	53,546,217	53,906,876
Expenditures:				
Instruction	31,815,470	30,824,631	31,488,604	31,175,613
Support services	19,545,578	16,380,832	16,971,317	16,088,480
Noninstructional services	2,907,552	2,792,064	2,832,388	2,646,844
Sixteenth section	179,753	214,327	162,718	175,007
Facilities acquisition and construction				1,054,929
Debt service:				
Principal	849,015	712,075	1,980,951	919,956
Interest	296,804	321,008	367,382	396,549
Other	102,902	2,748	3,754	23,612
Total Expenditures	55,697,074	51,247,685	53,807,114	52,480,990
Excess (Deficiency) of Revenues over (under) Expenditures	(2,888,525)	2,260,912	(260,897)	1,425,886
Other Financing Sources (Uses):				
Bonds and notes issued				1,500,000
Insurance recovery	21,734	22,156	4,500	8,800
Refunding bonds issued	4,855,000			
Payment to refunded bond escrow agent	(4,850,672)			
Premiums on bonds and refunding bonds issued	98,074			
Payment held by QSCB debt escrow agent	35,000		35,000	238,395
Payment to QSCB debt escrow agent	(35,000)		(35,000)	(238,395)
Sale of transportation equipment		13,521		
Sale of other property	200	1,638	177	
Operating transfers in	1,911,076	3,185,832	3,866,216	2,076,392
Operating transfers out	(1,911,076)	(3,185,832)	(3,866,216)	(2,076,392)
Total Other Financing Sources (Uses)	124,336	37,315	4,677	1,508,800
Net Change in Fund Balances	(2,764,189)	2,298,227	(256,220)	2,934,686
Fund Balances:				
July 1, as previously reported	21,075,754	18,797,737	19,073,484	16,133,810
Prior period adjustments	(2,463)	(12,224)		
July 1, as restated	21,073,291	18,785,513	19,073,484	16,133,810
Increase (Decrease) in reserve for inventory	4,894	(7,986)	(19,527)	4,988
June 30	\$ 18,313,996	\$ 21,075,754	\$ 18,797,737	\$ 19,073,484

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

318 W Main St. P.O. Box 583 Philadelphia, MS 39350
 Phone (601) 656-4252 Fax (601) 656-4236

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA
 Wanda S. Holley, CPA
 Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA

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
 Lauderdale 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 Lauderdale County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lauderdale County School District's basic financial statements, and have issued our report thereon dated May 23, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiency in internal control over financial reporting (Finding 2013-1).

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated May 23, 2014, which is included in this report.

Lauderdale County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Lauderdale County School's District's response 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
May 23, 2014

Watkins Ward and Stafford PLLC



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

318 W Main St. P. O. Box 583 Philadelphia, MS 39350
 Phone (601) 656-4252 Fax (601) 656-4236

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
 Aubrey R. Holder, CPA
 Michael W. McCully, CPA
 Mort Stroud, CPA
 R. Steve Sinclair, CPA
 Michael L. Pierce, CPA
 Marsha L. McDonald, CPA
 Wanda S. Holley, CPA
 Robin Y. McCormick, CPA/PFS
 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA
 Thomas J. Browder, CPA
 Stephen D. Flake, CPA
 John N. Russell, CPA
 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordle, Jr., CPA

**INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
 EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
 ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
 Lauderdale County School District

Compliance

We have audited Lauderdale 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 its major federal programs for the year ended June 30, 2013. The Lauderdale 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 each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lauderdale County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Lauderdale County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified. However, we identified a significant deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 13-2.

The school district's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit the school district's response and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

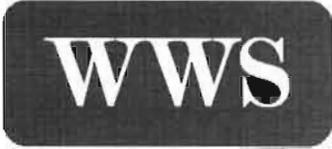
This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
May 23, 2014

A handwritten signature in black ink that reads "Watkins Ward and Stafford PLLC". The signature is written in a cursive, flowing style.

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

(This page left blank intentionally)



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

318 W Main St. P.O. Box 583 Philadelphia, MS 39350
 Phone (601) 656-4252 Fax (601) 656-4236

James L. Stafford, CPA	Robin Y. McCormick, CPA/PFS
Harry W. Stevens, CPA	J. Randy Scrivner, CPA
S. Keith Winfield, CPA	Kimberly S. Caskey, CPA
William B. Stagers, CPA	Susan M. Lummus, CPA
Aubrey R. Holder, CPA	Thomas J. Browder, CPA
Michael W. McCully, CPA	Stephen D. Flake, CPA
Mort Stroud, CPA	John N. Russell, CPA
R. Steve Sinclair, CPA	Thomas A. Davis, CPA
Michael L. Pierce, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
	Robert E. Cordle, Jr., CPA

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

Superintendent and School Board
 Lauderdale County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2013, which collectively comprise Lauderdale County School District's basic financial statements and have issued our report thereon dated May 23, 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 \$35,130 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Proper form should be filed for all retirees

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-27, Miss Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of internal controls related to payroll expenditures, we noted four instances where Form 4B's were not signed by the employee within five days of rehire, one instance where Form 4B's was not signed by assistant superintendent, and five instances where rehires received earning in excess of the salary listed on Form 4B.

Recommendation

We recommend the District implement procedures to ensure that the District follows the provisions of Section 25-11-27, Miss. Code Ann. (1972).

School District Response

The district concurs with the recommendation and no retiree will be rehired until a Form 4B has been completed. This will ensure that the district is in compliance with the 5 day requirement. The district will monitor the salary paid to rehires.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Lauderdale County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
May 23, 2014

Watkins Ward and Stafford PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

LAUDERDALE 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: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.027, 84.173	Special Education cluster
10.553, 10.555, 10.559	Child Nutrition cluster

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

Significant deficiency identified that is not considered to be a material weakness.

13-1 Internal Control Should Be Strengthened for Payroll

Finding

There were two instances when an employee's check was calculated incorrectly because the rate of pay was transposed when keyed into the system. This resulted in the employee's check being a lower amount than it should have been. It is the responsibility of the school district to ensure the accuracy of checks issued.

Recommendation

The district should implement stronger internal controls to ensure that payroll transactions are accurate.

Section III: Federal Award Findings and Questioned Costs

13-2 Controls Should Be Strengthened for Cash Management

Program: Special Education Cluster, CFDA # 84.027, 84.173

Compliance Requirement: Cash Management

Finding

The district is responsible for establishing internal controls to provide reasonable assurance that the drawdown of federal cash is only for immediate cash needs.

Adequate controls were not in place to ensure that funds drawn down from federal programs were for the district's immediate cash needs. As a result, the district requested federal funds in excess of its immediate needs from the Mississippi Department of Education for one of the twelve months tested. These excess drawdowns represent a weakness over the internal controls and resulted in noncompliance with the federal programs' requirements.

Recommendation

We recommend that the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to minimize the amount of time program funds are held before disbursement.

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

(This page left blank intentionally)



SUPERINTENDENT
RANDY HODGES

June 23, 2014

As required by Section, 315(c) of OMB Circular A-133, the Lauderdale County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Finding 2013-01

Corrective Action Plan

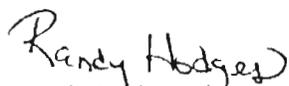
- a. Charlotte Parker, Director of Finance (601) 693-1683
- b. We concur with the recommendation and will take the appropriate steps to insure that all payroll transactions are accurate and verified.
- c. This will take effect immediately.

Finding 2013-02

Corrective Action Plan

- a. Charlotte Parker, Director of Finance (601)693-1683
- b. We concur with the recommendation and will take the appropriate steps to minimize the amount of time program funds are held before disbursement by cross checking each month.
- c. This will take effect immediately.

Respectfully,


Randy Hodges

Superintendent of Education



SUPERINTENDENT
RANDY HODGES

June 23, 2014

Summary Schedule of Prior Audit Findings

Financial and Compliance Audit Division

As required by Section ____ .315(b) of OMB Circular A-133, the Lauderdale County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2013.

<u>Finding</u>	<u>Status</u>
2012-01	Corrected
2012-02	Corrected

Sincerely,

Randy Hodges
Superintendent of Education