



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.

LOWNDES COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2013





LOWNDES COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
T.E. Lott, Jr. CPA
Charles M. Hawkins, CPA, CBA
Jeffrey H. Read, CPA
Thomas J. Buckley, CPA
Vivian L. Yeatman, CPA
Bobby G. Shaw, CPA, CBA
Debby H. Gray, CPA, CPC
Clayton H. Richardson, III, CPA, CVA
J. Michael Prince, CPA, CSEP
Mark A. Vickers, CPA, CVA
Stewart R. Greene, CPA
Nellah F. Taylor, CPA
J.H. Kennedy, Jr., CPA
J. Richard Rollins, CPA
Robert C. Crigler, CPA
Leslie W. Wood, CPA
Lawrence E. Wilson, CPA
Kristy A. Tunnell, CPA, CITP
Cheryl G. Nelson, CPA
Julie M. Melvin, CPA, CGMA
Matthew S. Sasser, CPA
J. Mark Ward, CPA
W. Matthew Turner, CPA
Katherine W. Little, CPA, CSEP
Lacie J. Bartholomew, CPA
Michael D. Watkins, CPA
Joshua B. Shaw, CPA, CGMA
T. Joseph Burns, CPA
Katy M. Metcalfe, CPA



COLUMBUS

221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE

106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA

6834 Hwy 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Lowndes County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Lowndes County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider 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 Lowndes 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 5 - 15 and 46 - 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County School District's 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 February 14, 2014, on our consideration of the Lowndes County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lowndes County School District's internal control over financial reporting and compliance.

J. E. Gott & Company

LOWNDES COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS**FOR THE YEAR ENDED JUNE 30, 2013**

The following discussion and analysis of Lowndes County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 increased \$894,909, which represents a 1.54% increase from fiscal year 2012. Total net position for 2012 increased \$4,290,968, which represents an 8% increase from fiscal year 2011.
- General revenues amounted to \$40,899,627 and \$40,836,492, or 84.9% and 83.4% 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 \$7,254,807, or 15.1% of total revenues of total revenues for 2013, and \$8,123,889, or 16.6% of total revenues for 2012.
- The District had \$47,259,524 and \$44,669,413 in expenses for fiscal years 2013 and 2012; only \$7,254,806 for 2013 and \$8,123,889 for 2012 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$40,899,627 for 2013 and \$40,836,492 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$39,375,962 in revenues and \$38,013,973 in expenditures for 2013, and \$39,559,999 in revenues and \$37,125,684 in expenditures in 2012. The General Fund's fund balance increased by \$183,128 from 2012 to 2013, and increased \$6,352,058 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$1,604,581 for 2013 and increased by \$1,198,853 for 2012. The increase for 2013 was due to the renovations of the Caledonia campus and Central Office, coupled with the increase in accumulated depreciation for 2013.
- Long-term debt decreased by \$1,627,547 for 2013 and decreased by \$1,616,648 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$35,050 for 2013 and decreased by \$74,066 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 supplemental information, supplemental information, and other information.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental funds (Continued)

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund 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 and deferred inflows of resources by \$59,015,666 as of June 30, 2013.

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

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,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 24,615,554	\$ 26,254,471	(6.24%)
Restricted assets	2,711,585	2,321,865	16.78%
Capital assets, net	<u>42,359,112</u>	<u>43,963,693</u>	(3.65%)
Total assets	<u>69,686,251</u>	<u>72,540,029</u>	(3.93%)
Current liabilities	442,968	2,684,108	(83.49%)
Long-term debt outstanding	<u>10,107,617</u>	<u>11,735,164</u>	(13.87%)
Total liabilities	<u>10,550,585</u>	<u>14,419,272</u>	(26.83%)
Deferred inflows of resources	<u>120,000</u>	<u>-</u>	0.00%
Net position:			
Invested in capital assets, net of related debt	32,604,112	32,928,693	(0.99%)
Restricted	12,784,680	12,091,725	5.73%
Unrestricted	<u>13,626,874</u>	<u>13,100,339</u>	4.02%
Total net position	<u>\$ 59,015,666</u>	<u>\$ 58,120,757</u>	1.54%

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 \$1,604,581
- The principal retirement of \$1,662,597 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 \$48,154,433 and \$48,960,381, respectively. The total cost of all programs and services was \$47,259,524 for 2013 and \$44,669,413 for 2012.

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

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,250,032	\$ 1,190,580	4.99%
Operating grants and contributions	6,004,774	6,933,309	(13.39%)
General revenues:			
Property taxes	19,354,977	18,756,965	3.19%
Grants and contributions not restricted	20,940,355	20,719,953	1.06%
Investment earnings	69,713	294,964	(76.37%)
Sixteenth Section sources	127,410	100,529	26.74%
Other	407,172	964,081	(57.77%)
Total revenues	<u>48,154,433</u>	<u>48,960,381</u>	(1.65%)
Expenses:			
Instruction	27,937,863	25,734,762	8.56%
Support services	16,875,659	16,483,106	2.38%
Non-instructional	2,066,986	2,024,623	2.09%
Sixteenth Section	73,679	63,909	15.28%
Interest on long-term liabilities	305,337	363,013	(15.89%)
Total expenses	<u>47,259,524</u>	<u>44,669,413</u>	5.80%
Increase in net position	894,909	4,290,968	(79.14%)
Net Position, July 1	<u>58,120,757</u>	<u>53,829,789</u>	7.97%
Net Position, June 30	<u>\$ 59,015,666</u>	<u>\$ 58,120,757</u>	1.54%

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 27,937,863	\$ 25,734,762	8.56%
Support services	16,875,659	16,483,106	2.38%
Non-instructional	2,066,986	2,024,623	2.09%
Sixteenth Section	73,679	63,909	15.29%
Interest on long-term liabilities	<u>305,337</u>	<u>363,013</u>	(15.89%)
Total expenses	<u>\$ 47,259,524</u>	<u>\$ 44,669,413</u>	5.80%
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$(24,495,719)	\$(21,774,721)	12.50%
Support services	(15,253,015)	(14,385,434)	6.03%
Non-instructional	118,017	41,553	184.01%
Sixteenth Section	(68,664)	(63,909)	7.44%
Interest on long-term liabilities	<u>(305,337)</u>	<u>(363,013)</u>	(15.89%)
Total net (expense) revenue	<u>\$(40,004,718)</u>	<u>\$(36,545,524)</u>	9.47%

- Net cost of governmental activities \$40,004,718 for 2013 and \$36,545,524 for 2012 was financed by general revenue, which is primarily made up of property taxes (\$19,354,977 for 2013 and \$18,756,965 for 2012) and State and federal revenues (\$20,940,355 for 2013 and \$20,719,953 for 2012). In addition, there was \$127,410 and \$100,529 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$69,713 for 2013 and \$294,964 for 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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 \$26,879,960, an increase of \$845,790, which includes a decrease in reserve for inventory of \$20,482. \$13,979,492 or 52% 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 \$12,900,468, or 48%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$183,128. The fund balance of Other Governmental Funds showed an increase in the amount of \$576,006, which includes a decrease in reserve for inventory of \$20,482. The increase in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase</u>
Sixteenth Section Interest Fund	\$86,656
Title I-A Basic Fund	No increase or decrease
IDEA Fund	No increase or decrease
Local Construction Fund	No increase or decrease

BUDGETARY HIGHLIGHTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$76,505,034, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$1,604,580 from 2012. Total accumulated depreciation as of June 30, 2013, was \$34,145,922, and total depreciation expense for the year was \$1,939,895, resulting in total net capital assets of \$42,359,112.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,549,988	\$ 1,549,988	0.00%
Buildings	32,073,786	32,934,402	(2.61%)
Building improvements	1,112,577	1,174,387	(5.26%)
Improvements other than buildings	3,698,470	3,905,667	(5.31%)
Mobile equipment	3,575,585	4,036,282	(11.41%)
Furniture and equipment	<u>348,706</u>	<u>362,967</u>	(3.93%)
Total	<u>\$ 42,359,112</u>	<u>\$ 43,963,693</u>	(3.65%)

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

Debt Administration. At June 30, 2013, the District had \$10,107,617 in outstanding long-term debt, of which \$1,365,261 is due within one year. The liability for compensated absences increased \$35,050 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Table 5
Outstanding Long-Term Debt

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>	<u>Percentage</u> <u>Change</u>
Limited obligation bonds payable	\$ 1,565,000	\$ 2,310,000	(32.25%)
Three mill notes payable	5,190,000	5,725,000	(9.34%)
Shortfall notes payable	-	382,597	(100.00%)
Qualified school construction bonds payable	3,000,000	3,000,000	0.00%
Compensated absences payable	<u>352,617</u>	<u>317,567</u>	11.04%
Total	<u>\$ 10,107,617</u>	<u>\$ 11,735,164</u>	(13.87%)

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

CURRENT ISSUES

In keeping with the vision of the Lowndes County School District to provide a superior educational system, all facets of the District demonstrate a commitment to continuously improve the services to students and, as stated in the mission of the District, "challenge all students to attain their greatest potential." The Board of Education, the administration, the teachers, the support staff, the students, and the community are proud of the achievements in the District and will continue to work toward further improvements.

The Lowndes County School District's system of financial planning, budgeting and internal financial controls are performed with high standards of excellence also insuring that all students may attain their greatest potential. The District has strong principles to continue its sound fiscal management to meet the needs for education in the future.

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 Lowndes County School District, 1053 Highway 45 South, Columbus, MS 39701.

LOWNDES COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

LOWNDES COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A 17

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes 1-F and 2)	\$ 22,919,795
Cash with fiscal agents	7,926
Due from other governments (Note 1-F)	1,615,108
Other receivables, net	250
Inventories (Note 1-F)	72,476
Restricted assets (Notes 1-F and 4)	2,711,585
Capital assets, non-depreciable (Notes 1-F and 5):	
Land	1,549,988
Capital assets, net of accumulated depreciation:	
Buildings	32,073,786
Building improvements	1,112,577
Improvements other than buildings	3,698,470
Mobile equipment	3,575,585
Furniture and equipment	348,706
Total Assets	69,686,251
LIABILITIES	
Accounts payable and accrued liabilities	327,179
Interest payable on long-term liabilities	115,789
Long-term liabilities, due within one year (Notes 1-F and 6):	
Capital related liabilities	1,330,000
Non-capital related liabilities	35,261
Long-term liabilities, due beyond one year (Notes 1-F and 6):	
Capital related liabilities	8,425,000
Non-capital related liabilities	317,356
Total Liabilities	10,550,585
DEFERRED INFLOWS OF RESOURCES	
Deferred mineral lease	120,000
Total deferred inflows of resources	120,000
NET POSITION	
Net investment in capital assets	32,604,112
Restricted for:	
Expendable:	
School-based activities	5,604,025
Debt service	2,446,395
Capital improvements	4,090,373
Forestry improvements	77,295
Unemployment benefits	115,066
Non-expendable:	
Sixteenth Section	451,526
Unrestricted	13,626,874
Total Net Position	\$ 59,015,666

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 27,937,863	\$ 755,835	\$ 2,686,309	\$ (24,495,719)
Support services	16,875,659	-	1,622,644	(15,253,015)
Non-instructional	2,066,986	489,182	1,695,821	118,017
Sixteenth Section	73,679	5,015	-	(68,664)
Interest on long-term liabilities	305,337	-	-	(305,337)
Total Governmental Activities	\$ 47,259,524	\$ 1,250,032	\$ 6,004,774	\$ (40,004,718)
		General Revenues:		
		Taxes:		
			General purpose levies	\$ 11,098,501
			Debt purpose levies	1,374,554
			In-lieu of taxes - TVA	6,881,922
		Unrestricted grants and contributions:		
			State	20,221,407
			Federal	718,948
			Unrestricted investment earnings	69,713
			Sixteenth Section sources	127,410
			Other	407,172
			Total General Revenues	40,899,627
			Change in Net Position	894,909
			Net Position - Beginning	58,120,757
			Net Position - Ending	\$ 59,015,666

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

LOWNDES COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

EXHIBIT C 19

	Major Funds						
	General Fund	Sixteenth Section Interest Fund	Title 1-A Basic Fund	IDEA Fund	Local Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents (Notes 1-F and 2)	\$ 13,521,279	\$ 4,184,513	\$ -	\$ -	\$ 4,090,373	\$ 3,014,929	\$ 24,811,094
Investments (Note 2)	7,926	-	-	-	-	820,285	828,211
Due from other governments (Note 1-F)	607,896	-	208,087	193,807	-	605,318	1,615,108
Other receivables, net	-	250	-	-	-	-	250
Due from other funds (Note 3-A)	511,716	-	-	-	-	-	511,716
Inventories (Note 1-F)	-	-	-	-	-	72,476	72,476
Total Assets	<u>\$ 14,648,817</u>	<u>\$ 4,184,763</u>	<u>\$ 208,087</u>	<u>\$ 193,807</u>	<u>\$ 4,090,373</u>	<u>\$ 4,513,008</u>	<u>\$ 27,838,855</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable and accrued liabilities	\$ 250,478	\$ 5,056	\$ 11,886	\$ 11,998	\$ -	\$ 47,761	\$ 327,179
Due to other funds (Note 3-A)	-	-	196,201	181,809	-	133,706	511,716
Deferred revenue	-	120,000	-	-	-	-	120,000
Total liabilities	<u>250,478</u>	<u>125,056</u>	<u>208,087</u>	<u>193,807</u>	<u>-</u>	<u>181,467</u>	<u>958,895</u>
FUND BALANCES							
Nonspendable:							
Inventory	-	-	-	-	-	72,476	72,476
Permanent fund principal	-	-	-	-	-	451,526	451,526
Restricted:							
Debt service	-	-	-	-	-	2,562,183	2,562,183
Forestry improvement purposes	-	-	-	-	-	77,295	77,295
Unemployment benefits	-	-	-	-	-	115,066	115,066
Grant activities	-	-	-	-	-	27,333	27,333
Sixteenth Section interest	-	4,059,707	-	-	-	-	4,059,707
Other purposes	-	-	-	-	-	1,025,662	1,025,662
Assigned:							
Capital improvements	-	-	-	-	4,090,373	-	4,090,373
School activities	418,847	-	-	-	-	-	418,847
Unassigned	<u>13,979,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,979,492</u>
Total fund balances	<u>14,398,339</u>	<u>4,059,707</u>	<u>-</u>	<u>-</u>	<u>4,090,373</u>	<u>4,331,541</u>	<u>26,879,960</u>
Total Liabilities and Fund Balances	<u>\$ 14,648,817</u>	<u>\$ 4,184,763</u>	<u>\$ 208,087</u>	<u>\$ 193,807</u>	<u>\$ 4,090,373</u>	<u>\$ 4,513,008</u>	<u>\$ 27,838,855</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2013

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 26,879,960
Amounts reported for governmental activities in the Statement of Net Position are different because:	
1. Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$34,145,922 (Note 5).	42,359,112
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note 6).	(10,107,617)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Position recognizes interest as it accrues.	<u>(115,789)</u>
Net Position of Governmental Activities	<u>\$ 59,015,666</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds						Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Title I-A Basic Fund	IDEA Fund	Local Construction Fund	Other Governmental Funds	
REVENUES							
Local sources	\$ 18,942,505	\$ 12,512	\$ -	\$ -	\$ -	\$ 2,173,142	\$ 21,128,159
State sources	19,714,509	-	-	-	-	1,383,747	21,098,256
Federal sources	718,948	-	977,579	1,288,340	-	2,807,852	5,792,719
Sixteenth Section sources	-	127,410	-	-	-	25,400	152,810
Total Revenues	<u>39,375,962</u>	<u>139,922</u>	<u>977,579</u>	<u>1,288,340</u>	<u>-</u>	<u>6,390,141</u>	<u>48,171,944</u>
EXPENDITURES							
Instruction	23,694,258	-	221,032	522,584	-	2,302,371	26,740,245
Support services	14,319,715	-	720,026	736,580	-	726,944	16,503,265
Noninstructional services	-	-	7,079	2,004	-	2,025,631	2,034,714
Sixteenth Section	-	53,266	-	-	-	20,413	73,679
Debt service:							
Principal							
(Note 6)	-	-	-	-	-	1,662,597	1,662,597
Interest	-	-	-	-	-	328,541	328,541
Other	-	-	-	-	-	2,950	2,950
Total Expenditures	<u>38,013,973</u>	<u>53,266</u>	<u>948,137</u>	<u>1,261,168</u>	<u>-</u>	<u>7,069,447</u>	<u>47,345,991</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,361,989</u>	<u>86,656</u>	<u>29,442</u>	<u>27,172</u>	<u>-</u>	<u>(679,306)</u>	<u>825,953</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	Major Funds						Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Title I-A Basic Fund	IDEA Fund	Local Construction Fund	Other Governmental Funds	
Excess (Deficiency) of Revenues Over (Under) Expenditures (brought forward)	\$ 1,361,989	\$ 86,656	\$ 29,442	\$ 27,172	\$ -	\$ (679,306)	\$ 825,953
OTHER FINANCING SOURCES (USES)							
Payments to Qualified Zone Academy escrow agent	-	-	-	-	-	(214,993)	(214,993)
Sale of transportation equipment	40,443	-	-	-	-	-	40,443
Other financing sources	-	-	-	-	-	214,993	214,993
Operating transfers in (Note 3-B)	91,415	-	-	-	-	1,309,719	1,401,134
Operating transfers out (Note 3-B)	(1,310,719)	-	(29,442)	(27,172)	-	(33,801)	(1,401,134)
Other financing uses	-	-	-	-	-	(124)	(124)
Total Other Financing Sources (Uses)	(1,178,861)	-	(29,442)	(27,172)	-	1,275,794	40,319
Net Change in Fund Balances	183,128	86,656	-	-	-	596,488	866,272
Fund Balances:							
July 1, 2012	14,215,211	3,973,051	-	-	4,090,373	3,755,535	26,034,170
Decrease in reserve for inventory	-	-	-	-	-	(20,482)	(20,482)
June 30, 2013	\$ 14,398,339	\$ 4,059,707	\$ -	\$ -	\$ 4,090,373	\$ 4,331,541	\$ 26,879,960

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**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 866,272
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$393,144 and the depreciation expense amounted to \$1,939,895. Retirements amounted to \$57,830 (Note 5).	(1,604,581)
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets (Note 6).	1,662,597
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	26,153
4. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	(20,482)
5. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(35,050)
Change in Net Position of Governmental Activities	\$ 894,909

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

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Private-Purpose Trust Funds	Agency Funds
<i>ASSETS</i>		
Cash and cash equivalents (Notes 1-F and 2)	\$ 11,434	\$ 1,871,097
Total Assets	<u>\$ 11,434</u>	<u>\$ 1,871,097</u>
<i>LIABILITIES</i>		
Accrued payroll	\$ -	\$ 1,851,036
Due to student clubs	-	20,061
Total Liabilities	<u>-</u>	<u>\$ 1,871,097</u>
<i>Net Position</i>		
Reserve for endowments	<u>11,434</u>	
Total Net Position	<u>\$ 11,434</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Private- Purpose Trust Funds</u>
<i>ADDITIONS</i>	
Interest on investments	\$ 34
Total additions	<u>34</u>
<i>DEDUCTIONS</i>	
Scholarships awarded	<u>150</u>
Total deductions	<u>150</u>
Change in Net Position	(116)
Net Position	
July 1, 2012	<u>11,550</u>
June 30, 2013	<u><u>\$ 11,434</u></u>

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

General Fund

This is the School District's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Sixteenth Section Interest Fund

This fund is used to account for the expendable financial resources generated from the use of Sixteenth Section trust lands. Available funds may be transferred to the General Fund or Construction Funds and used for appropriate purposes.

Title I-A Basic Fund

This fund is used to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

IDEA Fund

This fund is used for the purposes of the individuals covered by the Disabilities Education Act (IDEA) Those purposes are: (1) ensure that all children with disabilities have available to them a free appropriate public education (FAPE) which emphasizes special education and related services designed to meet their unique needs; (2) ensure that the rights of children with disabilities and their parents or guardians are protected; (3) assist States, localities, educational service agencies and Federal agencies to provide for the education of all children with disabilities; and (4) assess and ensure the effectiveness of efforts to educate children with disabilities.

Local Construction Fund

This capital projects fund is used to account for the expenditures associated with construction projects and is financed with local sources that have been designated by the school board.

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 assets and changes in net assets.

The District's fiduciary funds include the following:

Payroll Clearing Fund

This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing

This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts

These funds are used to account for the transactions of student clubs.

Private Purpose Trust Funds

These funds are used to provide scholarships to students.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

Permanent Funds

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

FIDUCIARY FUNDS

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

E. Encumbrances

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

F. Assets, liabilities, deferred inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, liabilities, deferred inflows, and net position/fund balances (Continued)

1. Cash, Cash equivalents and Investments (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, liabilities, deferred inflows, and net position/fund balances (Continued)

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 a restricted asset because the Sixteenth Section Principal Fund is not available for use by the District, except as provided for under State statute for loans from this fund.

6. Capital Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, liabilities, deferred inflows, and net position/fund balances (Continued)

6. Capital Assets (Continued)

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
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	*	*
Intangible assets	**	**

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

(**) There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term 'depreciation' includes the amortization of intangible assets.

7. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has prepaid mineral leases which are reported as a deferred inflow. See Note 15 for further details.

8. Compensated Absences

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Assets, liabilities, deferred inflows, and net position/fund balances (Continued)

8. Compensated Absences (Continued)

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

9. Long-term Liabilities

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

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

10. 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**F. Assets, liabilities, deferred inflows, and net position/fund balances (Continued)**

10. Fund Balances (Continued)

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures 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:

Custodial Credit Risks - 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 District'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.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$24,811,094 and \$1,882,531, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$22,919,795.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments. Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorize 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.

As of June 30, 2013, the District had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (In Years)</u>	<u>Fair Value</u>
Trustmark Performance U.S. Treasury Fund	AAAm	Less than 1	\$ 430,007
Hancock Horizon Treasury Securities Money Market Mutual Fund	AAAm	Less than 1	390,278
Cash with Fiscal Agent			<u>7,926</u>
Total			<u>\$ 828,211</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. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic Fund	\$ 196,201
General Fund	IDEA Fund	181,809
General Fund	Other Governmental Funds	<u>133,706</u>
		<u>\$ 511,716</u>

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,310,719
Title I-A Basic Fund	General Fund	29,442
IDEA Fund	General Fund	27,172
Other Governmental Funds	General Fund	<u>33,801</u>
		<u>\$ 1,401,134</u>

The transfers in and out were for the payment obligations on the Debt Service Fund, closing entries, and funding of the vocation program in the Other Governmental Funds.

NOTE 4 – RESTRICTED ASSETS

The restricted assets represent the cash and investment balances of the following funds which are legally restricted and may not be used for purposes that support the District's programs.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
QSCB Construction Fund	Cash	\$ 236,359
Unemployment Compensation Fund	Cash	115,210
Shortfall Debt Service Fund	Cash	251,612
Three Mill Debt Service Fund	Cash	822,159
Sixteen Section Principal Fund	Cash	465,960
QSCB Bond Sinking Fund	Investment	430,007
MAEP Debt Service Fund	Investment	<u>390,278</u>
		<u>\$ 2,711,585</u>

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:

	<u>Balance</u> <u>7/1/2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2013</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,549,988	\$ -	\$ -	\$ 1,549,988
Total non-depreciable capital assets	<u>1,549,988</u>	<u>-</u>	<u>-</u>	<u>1,549,988</u>
<u>Depreciable capital assets:</u>				
Buildings	59,323,147	70,000	-	59,393,147
Building improvements	1,545,247	-	-	1,545,247
Improvements other than buildings	5,259,581	-	-	5,259,581
Mobile equipment	7,183,192	104,129	(571,700)	6,715,621
Furniture and equipment	<u>1,888,387</u>	<u>219,015</u>	<u>(65,952)</u>	<u>2,041,450</u>
Total depreciable capital assets	<u>75,199,554</u>	<u>393,144</u>	<u>(637,652)</u>	<u>74,955,046</u>
<u>Less accumulated depreciation for:</u>				
Buildings	26,388,745	930,616	-	27,319,361
Building improvements	370,860	61,810	-	432,670
Improvements other than buildings	1,353,914	207,197	-	1,561,111
Mobile equipment	3,146,910	507,656	(514,530)	3,140,036
Furniture and equipment	<u>1,525,420</u>	<u>232,616</u>	<u>(65,292)</u>	<u>1,692,744</u>
Total accumulated depreciation	<u>32,785,849</u>	<u>1,939,895</u>	<u>(579,822)</u>	<u>34,145,922</u>
Total depreciable capital assets, net	<u>42,413,705</u>	<u>(1,546,751)</u>	<u>(57,830)</u>	<u>40,809,124</u>
Governmental activities capital assets, net	<u>\$43,963,693</u>	<u>\$ (1,546,751)</u>	<u>\$ (57,830)</u>	<u>\$42,359,112</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 1,229,339
Support services	670,925
Non-instructional	<u>39,631</u>
Total depreciation expense - Governmental activities	<u>\$ 1,939,895</u>

NOTE 6 – LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>7/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
A. Limited obligation bonds payable	\$ 2,310,000	\$ -	\$ (745,000)	\$ 1,565,000	\$ 770,000
B. Three mill notes payable	5,725,000	-	(535,000)	5,190,000	560,000
C. Shortfall notes payable	382,597	-	(382,597)	-	-
D. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
E. Compensated absences payable	<u>317,567</u>	<u>35,050</u>	<u>-</u>	<u>352,617</u>	<u>35,261</u>
Total	<u>\$ 11,735,164</u>	<u>\$ 35,050</u>	<u>\$(1,662,597)</u>	<u>\$ 10,107,617</u>	<u>\$ 1,365,261</u>

A. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the School District. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State and Capital Improvements Refunding Bond, Series 2008	3 - 3.25%	7/10/2008	8/1/2014	<u>\$ 4,290,000</u>	<u>\$ 1,565,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2013

NOTE 6 – LONG-TERM LIABILITIES (Continued)

A. Limited obligation bonds payable (Continued)

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

Limited obligation bond issue of:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 770,000	\$ 38,350	\$ 808,350
2015	<u>795,000</u>	<u>12,919</u>	<u>807,919</u>
Total	<u>\$1,565,000</u>	<u>\$ 51,269</u>	<u>\$1,616,269</u>

This debt will be retired from the MAEP Debt Service Fund.

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

B. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Series 2005	4.15%	12/01/2005	09/01/2021	<u>\$ 6,000,000</u>	<u>\$ 5,190,000</u>

Three mill notes payable issue of December 1, 2005:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 560,000	\$ 203,764	\$ 763,764
2015	590,000	179,902	769,902
2016	610,000	155,003	765,003
2017	635,000	129,169	764,169
2018	625,000	103,024	728,024
2019 - 2022	<u>2,170,000</u>	<u>173,263</u>	<u>2,343,263</u>
Total	<u>\$ 5,190,000</u>	<u>\$ 944,125</u>	<u>\$ 6,134,125</u>

This debt will be retired from the Three Mill Debt Series Fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 6 – LONG-TERM LIABILITIES (Continued)**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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Qualified School Construction Bonds	.96%	12/17/2009	09/15/2024	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

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

D. Compensated absences payable

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

NOTE 7 – PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the Lowndes County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2013, \$1,505,000 of bonds outstanding are defeased.

NOTE 8 – OTHER COMMITMENTS

Operating leases:

The School District has an operating lease for copying equipment.

Lease expenditures for the year ended June 30, 2013, amounted to \$74,479. Future lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2014	\$ 61,178
2015	45,434
2016	18,684
2017	12,529
2018	<u>5,160</u>
	<u>\$ 142,985</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate 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 \$3,727,065, \$2,998,908 and \$2,872,265, respectively, which equaled the required contributions for each year.

NOTE 10 – SIXTEENTH SECTION LANDS

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

<u>Year Ending June 30</u>	<u>Total</u>
2014	\$ 118,136
2015	118,136
2016	112,683
2017	111,532
2018	106,008
2019 - 2023	520,784
2024 - 2028	520,249
2029 - 2033	504,227
2034 - 2038	435,853
Thereafter	<u>496,363</u>
Total	<u>\$ 3,043,971</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

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. Accordingly, no provision for any liability that may result has been recognized in the School District's financial statements.

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. The District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 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 pay off 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 \$215,007. 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 (principal) to be made to the sinking fund and interest to be paid to bond holders by the School District:

<u>Year Ending June 30</u>	<u>Principal</u>
2014	\$ 215,000
2015	214,000
2016	214,000
2017	214,000
2018	214,000
2019 - 2023	1,070,000
2024	<u>214,000</u>
Total	<u>\$ 2,355,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2013

NOTE 14 – ALTERNATIVE SCHOOL CONSORTIUM

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

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the Columbus Separate School District, designated by the agreement as the lead district, will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

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

NOTE 15 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$13,626,874 includes the effect of deferring the recognition of revenue from the up-front payment of a mineral lease. The District received \$150,000 up-front during fiscal year 2013 for a 5-year mineral lease. The \$120,000 balance of the deferred inflow of resources at June 30, 2013, will be recognized as revenue and increase unrestricted net position over the remaining 4 years of the agreement.

NOTE 16 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets 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 Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes.

In December 2013, the District issued bonds in the amount of \$9,950,000 to fund improvements to the West Lowndes and Caledonia campuses. Interest on the bonds will be due on April 1 and October 1.

Management of the Lowndes County School District evaluated the activity of the District through February 14, 2014, the date the financial statements were available to be issued, and determined with the exception of the item above, no other subsequent event occurred requiring disclosure in the notes to the financial statements.

LOWNDES COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT
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	\$ 19,721,660	\$ 18,942,505	\$ 18,942,505	\$ (779,155)	\$ -
State sources	19,606,733	19,714,509	19,714,509	107,776	-
Federal sources	<u>597,828</u>	<u>718,948</u>	<u>718,948</u>	<u>121,120</u>	<u>-</u>
Total Revenues	<u>39,926,221</u>	<u>39,375,962</u>	<u>39,375,962</u>	<u>(550,259)</u>	<u>-</u>
EXPENDITURES					
Instruction	23,907,285	23,694,258	23,694,258	213,027	-
Support services	14,737,428	14,319,715	14,319,715	417,713	-
Debt service:					
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>38,644,713</u>	<u>38,013,973</u>	<u>38,013,973</u>	<u>630,740</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>1,281,508</u>	<u>1,361,989</u>	<u>1,361,989</u>	<u>80,481</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of transportation equipment	-	40,443	40,443	40,443	-
Operating transfers in	3,139,804	3,313,215	91,415	173,411	(3,221,800)
Operating transfers out	(4,304,254)	(4,532,519)	(1,310,719)	(228,265)	3,221,800
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,164,450)</u>	<u>(1,178,861)</u>	<u>(1,178,861)</u>	<u>(14,411)</u>	<u>-</u>
Net Change in Fund Balances	117,058	183,128	183,128	66,070	-
Fund Balances:					
July 1, 2012	<u>14,215,211</u>	<u>14,215,211</u>	<u>14,215,211</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ 14,332,269</u>	<u>\$ 14,398,339</u>	<u>\$ 14,398,339</u>	<u>\$ 66,070</u>	<u>\$ -</u>

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

LOWNDES COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

MAJOR SPECIAL REVENUE FUND - SIXTEENTH SECTION INTEREST 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	\$ 51,299	\$ 12,512	\$ 12,512	\$ (38,787)	\$ -
Sixteenth Section sources	<u>133,187</u>	<u>247,410</u>	<u>127,410</u>	<u>114,223</u>	<u>(120,000)</u>
Total Revenues	<u>184,486</u>	<u>259,922</u>	<u>139,922</u>	<u>75,436</u>	<u>(120,000)</u>
EXPENDITURES					
Sixteenth Section	<u>55,622</u>	<u>53,266</u>	<u>53,266</u>	<u>2,356</u>	<u>-</u>
Total Expenditures	<u>55,622</u>	<u>53,266</u>	<u>53,266</u>	<u>2,356</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>128,864</u>	<u>206,656</u>	<u>86,656</u>	<u>77,792</u>	<u>(120,000)</u>
Fund Balances:					
July 1, 2012	<u>3,973,051</u>	<u>3,973,051</u>	<u>3,973,051</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ 4,101,915</u>	<u>\$ 4,179,707</u>	<u>\$ 4,059,707</u>	<u>\$ 77,792</u>	<u>\$ (120,000)</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

49

BUDGETARY COMPARISON SCHEDULE

MAJOR SPECIAL REVENUE FUND - TITLE I-A BASIC 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					
Federal sources	\$ 1,426,162	\$ 977,579	\$ 977,579	\$ (448,583)	\$ -
Total Revenues	1,426,162	977,579	977,579	(448,583)	-
EXPENDITURES					
Instruction	515,834	221,032	221,032	294,802	-
Support services	1,217,327	720,026	720,026	497,301	-
Noninstructional	17,722	7,079	7,079	10,643	-
Total Expenditures	1,750,883	948,137	948,137	802,746	-
Excess of Revenues Over Expenditures	(324,721)	29,442	29,442	354,163	-
OTHER FINANCING SOURCES (USES)					
Operating transfers out	(42,248)	(29,442)	(29,442)	12,806	-
Total Other Financing Sources (Uses)	(42,248)	(29,442)	(29,442)	12,806	-
Net Change in Fund Balances	(366,969)	-	-	366,969	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ (366,969)	\$ -	\$ -	\$ 366,969	\$ -

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

LOWNDES COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

MAJOR SPECIAL REVENUE FUND - IDEA 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					
Federal sources	\$ 1,364,993	\$ 1,288,340	\$ 1,288,340	\$ (76,653)	\$ -
Total Revenues	<u>1,364,993</u>	<u>1,288,340</u>	<u>1,288,340</u>	<u>(76,653)</u>	<u>-</u>
EXPENDITURES					
Instruction	521,078	522,584	522,584	(1,506)	-
Support services	805,915	736,580	736,580	69,335	-
Noninstructional	<u>6,500</u>	<u>2,004</u>	<u>2,004</u>	<u>4,496</u>	<u>-</u>
Total Expenditures	<u>1,333,493</u>	<u>1,261,168</u>	<u>1,261,168</u>	<u>72,325</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>31,500</u>	<u>27,172</u>	<u>27,172</u>	<u>(4,328)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers out	<u>(31,500)</u>	<u>(27,172)</u>	<u>(27,172)</u>	<u>4,328</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(31,500)</u>	<u>(27,172)</u>	<u>(27,172)</u>	<u>4,328</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY 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.

LOWNDES COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 392,526
National school lunch program	10.555	1,138,494
Summer food service program for children	10.559	8,454
Total child nutrition cluster		<u>1,539,474</u>
Total passed-through Mississippi Department of Education		<u>1,539,474</u>
Total U.S. Department of Agriculture		<u>1,539,474</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>80,912</u>
Total Federal Communications Commission		<u>80,912</u>
<u>U.S. Department of Education</u>		
Direct Programs:		
Impact AID	84.041	36,540
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	63,146
English Language Acquisition Grant	84.365	17,338
Education Jobs Fund	84.410	28,809
Rural education	84.358	165,013
Improving teacher quality state grants	84.367	191,004
Subtotal		<u>465,310</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,516,064
Special education cluster:		
Special education - grants to states	84.027	1,288,340
Special education - preschool grants	84.173	35,077
Total special education cluster		<u>1,323,417</u>
Education for homeless children and youth cluster:		
Education for homeless children and youth	84.196	38,539
Total passed-through Mississippi Department of Education		<u>3,343,330</u>
Total U.S. Department of Education		<u>3,379,870</u>
Total for All Federal Awards		<u>\$ 5,000,256</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.

**SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 33,484,282	\$ 26,056,450	\$ 997,729	\$ 2,572,264	\$ 3,857,839
Other	<u>13,861,709</u>	<u>5,057,890</u>	<u>525,710</u>	<u>38,849</u>	<u>8,239,260</u>
Total	<u>\$47,345,991</u>	<u>\$31,114,340</u>	<u>\$ 1,523,439</u>	<u>\$ 2,611,113</u>	<u>\$12,097,099</u>
Total number of students	<u>4,741</u>				
Cost per student	<u>\$ 9,986</u>	<u>\$ 6,563</u>	<u>\$ 321</u>	<u>\$ 551</u>	<u>\$ 2,552</u>

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.
5. Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

LOWNDES COUNTY SCHOOL DISTRICT

OTHER INFORMATION

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)**

GENERAL FUND

LAST FOUR YEARS

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local sources	\$ 18,942,505	\$ 18,911,134	\$ 18,775,238	\$ 17,089,407
State sources	19,714,509	19,880,813	19,229,105	19,713,957
Federal sources	718,948	768,052	723,268	720,194
Total Revenues	<u>39,375,962</u>	<u>39,559,999</u>	<u>38,727,611</u>	<u>37,523,558</u>
Expenditures:				
Instruction	23,694,258	21,261,548	18,942,659	20,050,000
Support services	14,319,715	15,864,136	13,001,063	12,658,420
Noninstructional services	-	-	-	2,253
Total Expenditures	<u>38,013,973</u>	<u>37,125,684</u>	<u>31,943,722</u>	<u>32,710,673</u>
Excess of Revenues Over Expenditures	<u>1,361,989</u>	<u>2,434,315</u>	<u>6,783,889</u>	<u>4,812,885</u>
Other Financing Sources (Uses):				
Proceeds of loans	-	-	-	1,031,341
Insurance loss recoveries	-	-	8,855	644,330
Sale of transportation equipment	40,443	85,500	-	-
Sale of other property	-	-	-	4,522
Operating transfers in	91,415	5,092,408	115,370	74,043
Operating transfers out	(1,310,719)	(1,125,165)	(6,142,761)	(10,201,654)
Other financing uses	-	(135,000)	-	-
Total Other Financing Sources (Uses)	<u>(1,178,861)</u>	<u>3,917,743</u>	<u>(6,018,536)</u>	<u>(8,447,418)</u>
Net Change in Fund Balances	183,128	6,352,058	765,353	(3,634,533)
Fund Balances:				
Beginning of period	<u>14,215,211</u>	<u>7,863,153</u>	<u>7,097,800</u>	<u>10,732,333</u>
End of Period	<u>\$ 14,398,339</u>	<u>\$ 14,215,211</u>	<u>\$ 7,863,153</u>	<u>\$ 7,097,800</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)**

**ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 21,128,159	\$ 20,810,586	\$ 21,066,503	\$ 18,688,919
State sources	21,098,256	21,375,056	20,739,437	21,334,641
Federal sources	5,792,719	6,811,849	9,312,135	7,958,527
Sixteenth Section sources	<u>152,810</u>	<u>100,529</u>	<u>166,908</u>	<u>403,790</u>
Total Revenues	<u>48,171,944</u>	<u>49,098,020</u>	<u>51,284,983</u>	<u>48,385,877</u>
Expenditures:				
Instruction	26,740,245	24,717,616	24,804,668	25,187,334
Support services	16,503,265	18,869,904	16,927,151	18,942,469
Noninstructional services	2,034,714	2,003,786	2,114,489	1,996,180
Sixteenth Section	73,679	63,909	94,063	110,099
Facilities acquisition and construction	-	26,194	2,575,392	169,274
Debt service:				
Principal	1,662,597	1,542,582	1,577,834	1,085,000
Interest	328,541	381,443	424,331	412,581
Other	2,950	4,925	7,825	82,690
Total Expenditures	<u>47,345,991</u>	<u>47,610,359</u>	<u>48,525,753</u>	<u>47,985,627</u>
Excess of Revenues Over Expenditures	<u>825,953</u>	<u>1,487,661</u>	<u>2,759,230</u>	<u>400,250</u>
Other Financing Sources (Uses):				
Payments to escrow agent	(214,993)	(215,000)	-	-
Proceeds of loans	-	-	-	4,118,013
Insurance loss recoveries	-	-	8,855	644,330
Sale of transportation equipment	40,443	85,500	-	-
Sale of other property	-	-	-	4,522
Operating transfers in	1,401,134	6,217,573	6,887,216	10,575,303
Operating transfers out	(1,401,134)	(6,217,573)	(6,887,216)	(10,575,303)
Other financing sources	214,993	215,000	-	-
Other financing uses	<u>(124)</u>	<u>(135,047)</u>	<u>(7,741)</u>	<u>(254)</u>
Total Other Financing Sources (Uses)	<u>40,319</u>	<u>(49,547)</u>	<u>1,114</u>	<u>4,766,611</u>
Net Change in Fund Balances	<u>866,272</u>	<u>1,438,114</u>	<u>2,760,344</u>	<u>5,166,861</u>
Fund Balances:				
July 1	26,034,170	24,582,058	21,812,696	16,616,981
Prior period adjustments	-	-	-	22,267
July 1, as restated	<u>26,034,170</u>	<u>24,582,058</u>	<u>21,812,696</u>	<u>16,639,248</u>
Increase (decrease) in reserve for inventory	<u>(20,482)</u>	<u>13,998</u>	<u>9,018</u>	<u>6,587</u>
End of Period	<u>\$ 26,879,960</u>	<u>\$ 26,034,170</u>	<u>\$ 24,582,058</u>	<u>\$ 21,812,696</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

LOWNDES COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

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

To the Superintendent and School Board
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District, as of and for the year ended June 30, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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.

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
T.E. Lott, Jr. CPA
Charles M. Hawkins, CPA, CBA
Jeffrey H. Read, CPA
Thomas J. Buckley, CPA
Vivian L. Yeatman, CPA
Bobby G. Shaw, CPA, CBA
Debby H. Gray, CPA, CPC
Clayton H. Richardson, III, CPA, CVA
J. Michael Prince, CPA, CSEP
Mark A. Vickers, CPA, CVA
Stewart R. Greene, CPA
Nellah F. Taylor, CPA
J.H. Kennedy, Jr., CPA
J. Richard Rollins, CPA
Robert C. Crigler, CPA
Leslie W. Wood, CPA
Lawrence E. Wilson, CPA
Kristy A. Tunnell, CPA, CITP
Cheryl G. Nelson, CPA
Julie M. Melvin, CPA, CGMA
Matthew S. Sasser, CPA
J. Mark Ward, CPA
W. Matthew Turner, CPA
Katherine W. Little, CPA, CSEP
Lacie J. Bartholomew, CPA
Michael D. Watkins, CPA
Joshua B. Shaw, CPA, CGMA
T. Joseph Burns, CPA
Katy M. Metcalfe, CPA



COLUMBUS

221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE

106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA

6834 Hwy 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. E. Jett & Company

Columbus, Mississippi
February 14, 2014



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
T.E. Lott, Jr. CPA
Charles M. Hawkins, CPA, CBA
Jeffry H. Read, CPA
Thomas J. Buckley, CPA
Vivian L. Yeatman, CPA
Bobby G. Shaw, CPA, CBA
Debby H. Gray, CPA, CPC
Clayton H. Richardson, III, CPA, CVA
J. Michael Prince, CPA, CSEP
Mark A. Vickers, CPA, CVA
Stewart R. Greene, CPA
Nellah F. Taylor, CPA
J.H. Kennedy, Jr., CPA
J. Richard Rollins, CPA
Robert C. Crigler, CPA
Leslie W. Wood, CPA
Lawrence E. Wilson, CPA
Kristy A. Tunnell, CPA, CITP
Cheryl G. Nelson, CPA
Julie M. Melvin, CPA, CGMA
Matthew S. Sasser, CPA
J. Mark Ward, CPA
W. Matthew Turner, CPA
Katherine W. Little, CPA, CSEP
Lacle J. Bartholomew, CPA
Michael D. Watkins, CPA
Joshua B. Shaw, CPA, CGMA
T. Joseph Burns, CPA
Katy M. Metcalfe, CPA



COLUMBUS
221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE
106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA
6834 Hwy 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

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

To the Superintendent and School Board
Lowndes County School District

Report on Compliance for Each Major Federal Program

We have audited Lowndes County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lowndes County School District's major federal programs for the year ended June 30, 2013. Lowndes County School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-01. Our opinion on each major federal program is not modified with respect to these matters.

Lowndes County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs.

Lowndes County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Lowndes County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lowndes County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lowndes 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-01, that we consider to be a significant deficiency.

Lowndes County School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lowndes County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

J. E. Sott & Company

Columbus, Mississippi
February 14, 2014

LOWNDES COUNTY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS**



T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



- T.E. Lott, CPA (1926-1971)
- T.E. Lott, Jr. CPA
- Charles M. Hawkins, CPA, CBA
- Jeffrey H. Read, CPA
- Thomas J. Buckley, CPA
- Vivian L. Yeatman, CPA
- Bobby G. Shaw, CPA, CBA
- Debby H. Gray, CPA, CPC
- Clayton H. Richardson, III, CPA, CVA
- J. Michael Prince, CPA, CSEP
- Mark A. Vickers, CPA, CVA
- Stewart R. Greene, CPA
- Nellah F. Taylor, CPA
- J.H. Kennedy, Jr., CPA
- J. Richard Rollins, CPA
- Robert C. Crigler, CPA
- Leslie W. Wood, CPA
- Lawrence E. Wilson, CPA
- Kristy A. Tunnell, CPA, CITP
- Cheryl G. Nelson, CPA
- Julie M. Melvin, CPA, CGMA
- Matthew S. Sasser, CPA
- J. Mark Ward, CPA
- W. Matthew Turner, CPA
- Katherine W. Little, CPA, CSEP
- Lade J. Bartholomew, CPA
- Michael D. Watkins, CPA
- Joshua B. Shaw, CPA, CGMA
- T. Joseph Burns, CPA
- Katy M. Metcalfe, CPA



COLUMBUS
221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE
106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA
6834 Hwy 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

Superintendent and School Board
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2013, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated February 14, 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 \$ -0- of classroom supply funds carried over from previous years.

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

The results of 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 of the Office of the State Auditor, we have also performed procedures to test compliance with certain other State laws and regulations. However, providing an opinion on compliance with all State laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

J. E. Sott & Company

Columbus, Mississippi
February 14, 2014

LOWNDES COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | Yes |
| 5. Type of auditors' report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. Identification of major programs: | |
| a. Title 1 grants to local educational agencies cluster | |
| CFDA #: 84.010 | |
| b. Special education cluster | |
| CFDA #: 84.027 | |
| CFDA #: 84.173 | |

LOWNDES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Section I: Summary of Auditors' Results (Continued)

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Finding 2013-01:

Criteria: In accordance with Section 1127 of Title I, the amount of funds not obligated in a current year may be obligated to the succeeding fiscal year if such amount does not exceed 15% of the Title I allocation.

Condition and Context: The Lowndes County School District did not comply with the carryover limitation and exceeded the 15% maximum allowed.

Effect: The District was required to repay the Mississippi Department of Education the amount that exceeded the limit.

Cause: The District failed to comply with this requirement of the federal program by not expending an adequate amount of the current year allocation for the specified purpose of the program.

Recommendation: The District should monitor and track the Title I funds expended throughout the year to ensure that it is on pace to comply with the program. Frequent monitoring, especially the last six months of the fiscal year, will stress the need to use the proper amount of funds for the purpose of the program.

LOWNDES COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN



Dr. Robin Ballard
Assistant Superintendent

Dr. Peggy J. Rogers
Assistant Superintendent

Lowndes County School District

Percy Lee
Vocational and Tech Prep Director

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

Andra Brown
Special Education Director

Lotis Y. Johnson
Business Administrator

Betty Clinton
Child Nutrition Director

LYNN WRIGHT
Superintendent

“Challenge all students to attain their greatest potential.”

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

Finding 2013-01

Program: Title I: CFDA #84.010; U.S. Department of Education; Passed through the Mississippi Department of Education

Compliance Requirement: Carryover

Corrective Action Plan: The deficiency has already been discovered and funds were returned to the Department of Education. The District has committed to monitor the program more closely and on a more frequent basis.

Sincerely,

Lynn Wright
Superintendent





T. E. LOTT & COMPANY, PA
CERTIFIED PUBLIC ACCOUNTANTS

QUALITY • INTEGRITY • SERVICE • PROFESSIONALISM • SINCE 1926

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Audit Quality

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section



T.E. Lott, CPA (1926-1971)
T.E. Lott, Jr. CPA
Charles M. Hawkins, CPA, CBA
Jeffrey H. Read, CPA
Thomas J. Buckley, CPA
Vivian L. Yeatman, CPA
Bobby G. Shaw, CPA, CBA
Debby H. Gray, CPA, CPC
Clayton H. Richardson, III, CPA, CVA
J. Michael Prince, CPA, CSEP
Mark A. Vickers, CPA, CVA
Stewart R. Greene, CPA
Nellah F. Taylor, CPA
J.H. Kennedy, Jr., CPA
J. Richard Rollins, CPA
Robert C. Crigler, CPA
Leslie W. Wood, CPA
Lawrence E. Wilson, CPA
Kristy A. Tunnell, CPA, CTPP
Cheryl G. Nelson, CPA
Julie M. Melvin, CPA, CGMA
Matthew S. Sasser, CPA
J. Mark Ward, CPA
W. Matthew Turner, CPA
Katherine W. Little, CPA, CSEP
Lacle J. Bartholomew, CPA
Michael D. Watkins, CPA
Joshua B. Shaw, CPA, CGMA
T. Joseph Burns, CPA
Katy M. Metcalfe, CPA



COLUMBUS

221 North Seventh St.
P.O. Box 471
Columbus, MS 39703-0471
Tel: 662.328.5387
Fax: 662.329.4993

STARKVILLE

106 B South Washington St.
P.O. Box 80282
Starkville, MS 39759-0282
Tel: 662.323.1234
Fax: 662.323.1284

TUSCALOOSA

6834 Hwy 69 South
Tuscaloosa, AL 35405
Tel: 205.759.4195
Fax: 205.759.1018

www.telott.com
info@telott.com

To the Board of Directors of Lowndes County School District

We have audited the financial statements of each major fund and the aggregate remaining fund information of Lowndes County School District for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2011. Professional standards also require that we communicate to you the following information related to our audit.

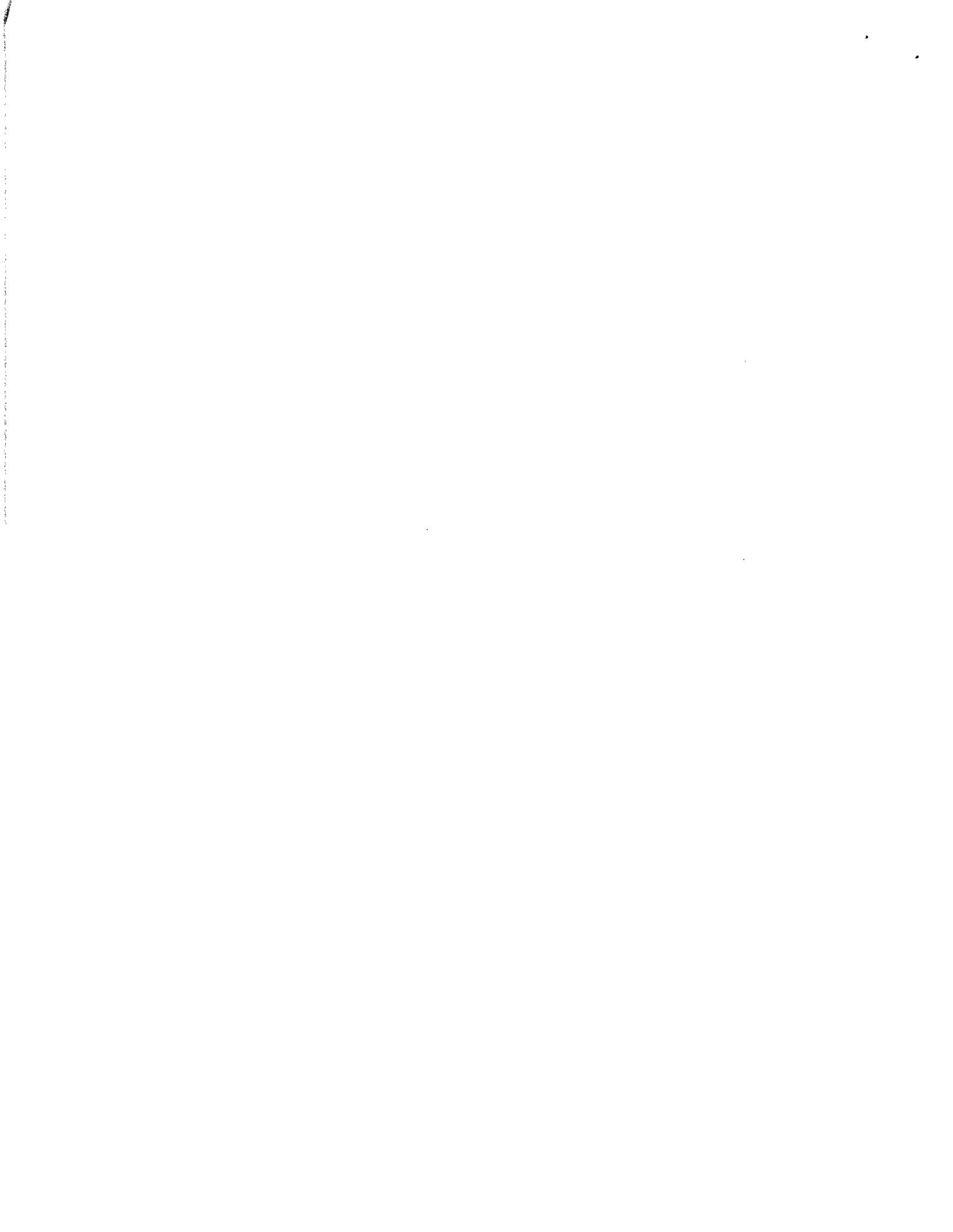
Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was depreciation:

Management's estimate of the depreciation is based on various factors, including but not limited to, historical data and useful lives of property, plant and equipment. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 14, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



To the Board of Directors of
Lowndes County School District
Page 3

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

J. E. Scott & Company

Columbus, Mississippi
February 14, 2014

