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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 5

BASIC FINANCIAL STATEMENTS 13
- Government-wide Financial Statements
  - Exhibit A Statement of Net Position 15
  - Exhibit B Statement of Activities 16
- Governmental Funds Financial Statements
  - Exhibit C Balance Sheet – Governmental Funds 17
  - Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position 18
  - Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 19
  - Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 20
- Fiduciary Funds Financial Statements
  - Exhibit E Statement of Fiduciary Assets and Liabilities 21
- Notes to the Financial Statements 23

REQUIRED SUPPLEMENTARY INFORMATION 41
- Budgetary Comparison Schedule for the General Fund 43
- Notes to the Required Supplementary Information 44

SUPPLEMENTARY INFORMATION 45
- Schedule of Expenditures of Federal Awards 47
- Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds 48

OTHER INFORMATION 49
- Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years 51
- Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years 52

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE 53
- 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* 55
- Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133 57

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 59

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 63

AUDITEE'S CORRECTIVE ACTION PLAN 67

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar 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 Lamar County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Lamar 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 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic 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 my 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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 2013, on my consideration of the Lamar County School District's internal control over financial reporting and on my 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 my 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 Lamar County School District's internal control over financial reporting and compliance.

Charles L. Shivers, CPA

Ridgeland, MS
December 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Lamar 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 $4,428,343, including a prior period adjustment of ($244,910), which represents a 7.8% increase from fiscal year 2012. Total net position for 2012 increased $4,325,186, including a prior period adjustment of $33,133, which represents an 8.3% increase/decrease from fiscal year 2011.

- General revenues amounted to $68,512,084 and $66,167,565, or 86.6% and 85.0% 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 $10,514,944, or 13.4% of total revenues for 2013, and $11,676,461, or 15.0% of total revenues for 2012.

- The District had $78,136,057 and $73,551,973 in expenses for fiscal years 2013 and 2012; only $10,514,944 for 2013 and $11,676,461 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $68,512,084 for 2013 and $66,167,565 for 2012 were adequate to provide for these programs.

- Among major funds, the General Fund had $63,349,202 in revenues and $62,074,071 in expenditures for 2013, and $61,997,857 in revenues and $59,228,243 in expenditures in 2012. The General Fund's fund balance decreased by $4,667,338, including a prior period adjustment of ($368,717), from 2012 to 2013, and decreased by $5,776,620 from 2011 to 2012.

- Capital assets, net of accumulated depreciation, increased by $7,562,610 for 2013 and increased by $3,559,850 for 2012. The increase for 2013 was due to the addition of non-depreciable and depreciable assets coupled with the increase in accumulated depreciation and significant adjustments due to tornado damage.

- Long-term debt decreased by $183,452 for 2013 and decreased by $2,915,146 for 2012. This decrease for 2013 was due primarily to the payments on outstanding long-term debt. The liability for compensated absences increased by $11,428 for 2013 and increased by $38,681for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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 and other expenses on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $60,584,620 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.

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

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 13,801,322	$ 18,584,655	-25.74 %
Restricted assets	9,163,554	9,436,957	-2.90 %
Capital assets, net	80,701,166	73,138,556	10.34 %
Total assets	**103,666,042**	**101,160,168**	**2.48 %**
Deferred outflows of resources	2,624,118	0	**N/A**
Current liabilities	2,569,657	1,684,556	52.54 %
Long-term debt outstanding	43,135,883	43,319,335	-0.42 %
Total liabilities	**45,705,540**	**45,003,891**	**1.56 %**
Deferred inflows of resources	0	0	**N/A**
Net position:			
Net investment in capital assets	38,359,084	30,601,594	25.35 %
Restricted	23,442,473	24,595,667	-4.69 %
Unrestricted	(1,216,937)	959,016	-226.89 %
Total net position	**$ 60,584,620**	**$ 56,156,277**	**7.89 %**

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

- Increase in net capital assets in the amount of $7,562,610.
- The principal retirement of $3,171,962 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 $79,027,028 and $77,844,026, respectively. The total cost of all programs and services was $78,136,057 for 2013 and $73,551,973 for 2012.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 2,905,328	$ 3,126,758	(7.08) %
Operating grants and contributions	7,609,616	8,549,703	(11.00) %
General revenues:			
Property taxes	25,659,400	24,944,710	2.87 %
Grants and contributions not restricted	40,643,929	38,886,238	4.52 %
Investment earnings	24,165	11,201	115.74 %
Sixteenth section sources	1,526,638	2,098,567	(27.25) %
Other	657,952	226,849	190.04 %
Total revenues	**79,027,028**	**77,844,026**	**1.52 %**
Expenses:			
Instruction	45,573,776	43,719,516	4.24 %
Support services	25,605,526	23,159,070	10.56 %
Non-instructional	4,113,738	4,477,086	(8.12) %
Sixteenth section	128,922	98,155	31.35 %
Interest on long-term liabilities	2,714,095	2,098,146	29.36 %
Total expenses	**78,136,057**	**73,551,973**	**6.23 %**
Extraordinary item	**3,782,282**	**0**	**N/A %**
Increase (Decrease) in net position	**4,673,253**	**4,292,053**	**8.88 %**
Net Position, July 1, as previously reported	**56,156,277**	**51,831,091**	8.34 %
Prior Period Adjustment	**(244,910)**	**33,133**	(839.17) %
Net Position, July 1, as restated	**55,911,367**	**51,864,224**	**7.80 %**
Net Position, June 30	**$ 60,584,620**	**$ 56,156,277**	**7.89 %**

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

	Total Expenses 2013	Total Expenses 2012	Percentage Change
Instruction	$ 45,573,776	$ 43,719,516	4.24 %
Support services	25,605,526	23,159,070	10.56 %
Non-instructional	4,113,738	4,477,086	(8.12) %
Sixteenth section	128,922	98,155	31.35 %
Interest on long-term liabilities	2,714,095	2,098,146	29.36 %
Total expenses	**$ 78,136,057**	**$ 73,551,973**	**6.23 %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (41,426,505)	$ (39,346,692)	5.29 %
Support services	(23,689,152)	(21,291,745)	11.26 %
Non-instructional	337,561	959,226	(64.81) %
Sixteenth section	(128,922)	(98,155)	31.35 %
Interest on long-term liabilities	(2,714,095)	(2,098,146)	29.36 %
Total net (expense) revenue	**$ (67,621,113)**	**$ (61,875,512)**	**9.29 %**

- Net cost of governmental activities ($67,621,113 for 2013 and $61,875,512 for 2012) was financed by general revenue, which is primarily made up of property taxes ($25,659,400 for 2013 and $24,944,710 for 2012) and state and federal revenues ($40,643,929 for 2013 and $38,886,238 for 2012). In addition, there was $1,526,638 and $2,098,567 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $24,165 for 2013 and $11,201 for 2012.

- Other general revenues amounted to $657,952 for 2013 and $226,849 for 2012

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $20,545,401, a decrease of $5,979,670, which includes a prior period adjustment of ($399,487) and an increase in inventory of $49,768. ($8,333,860) or (40.5%) 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 deficit is the result of advances in the amount of $12,485,163 which is owed to the 16th Section Principal Fund. The remaining fund balance of $28,879,261 or 140.5% 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 decrease in fund balance in the General Fund for the fiscal year was $4,667,338. The fund balance of Other Governmental Funds showed a decrease in the amount of $1,578,204, which includes an increase in reserve for inventory of $49,768. The increase in the fund balances for the other major funds were as follows:

Major Fund	Increase
16th section principal fund	$ 265,872

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $110,835,044, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $9,167,130 from 2012. Total accumulated depreciation as of June 30, 2013, was $30,133,878, and total depreciation expense for the year was $2,398,411, resulting in total net capital assets of $80,701,166.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 607,017	$ 607,017	0.00 %
Construction in Progress	14,587,971	4,793,830	204.31 %
Buildings	58,697,604	60,805,053	(3.47) %
Improvements other than buildings	3,265,749	3,555,265	(8.14) %
Mobile equipment	2,872,423	2,757,218	4.18 %
Furniture and equipment	670,402	620,173	8.10 %
Total	**$ 80,701,166**	**$ 73,138,556**	**10.34 %**

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 $43,135,883 in outstanding long-term debt, of which $2,964,690 is due within one year. The liability for compensated absences increased $11,428 from the prior year. The district issued $30,975,00 in general obligation refunding bonds to advance refund a previously issued general obligation bond.

The District maintains an AAA bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation bonds payable	$ 3,695,000	$ 34,320,000	(89.23) %
General obligation refunding bonds payable	30,685,000	330,000	9,198.48 %
Premium on refunding bonds payable	962,082	0	N/A
Limited obligation refunding bonds payable	5,080,000	5,820,000	(12.71) %
Certificates of participation payable	1,920,000	2,060,000	(6.80) %
Obligations under energy efficiency leases	0	6,962	(100.00) %
Compensated absences payable	793,801	782,373	1.46 %
Total	**$ 43,135,883**	**$ 43,319,335**	**(0.42) %**

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

CURRENT ISSUES

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

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

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

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 Lamar County School District, P O Box 609, Purvis, MS 39475.

BASIC FINANCIAL STATEMENTS

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LAMAR COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 11,073,373
Due from other governments	2,581,341
Other receivables, net	336
Inventories and prepaid items	146,272
Restricted assets (Note 4)	9,163,554
Non-depreciable capital assets (Note 5)	15,194,988
Depreciable capital assets, net (Note 5)	65,506,178
Total Assets	103,666,042
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt (Note 17)	2,624,118
Total Deferred Outflows of Resources	2,624,118
Liabilities	
Accounts payable and accrued liabilities	2,409,936
Interest payable on long-term liabilities	150,182
Other payables	9,539
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,925,000
Premium on bonds payable	80,173
Non-capital related liabilities	39,690
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	38,455,000
Premium on bonds payable	881,909
Non-capital related liabilities	754,111
Total Liabilities	45,705,540
Deferred Inflows of Resources	0
Net Position	
Net investment in capital assets	38,359,084
Restricted net position	
Expendable	
School-based activities	999,994
Debt service	1,247,372
Contractual commitments	1,779,624
Forestry improvements	133,382
Unemployment benefits	191,264
Non-expendable	
Sixteenth section	19,090,837
Unrestricted	(1,216,937)
Total Net Position	$ 60,584,620

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 45,573,776	1,445,424	2,701,847	(41,426,505)
Support services	25,605,526	51,980	1,864,394	(23,689,152)
Non-instructional	4,113,738	1,407,924	3,043,375	337,561
Sixteenth section	128,922			(128,922)
Interest on long-term liabilities	2,714,095			(2,714,095)
Total Governmental Activities	78,136,057	2,905,328	7,609,616	(67,621,113)
General Revenues				
Taxes				
General purpose levies				22,383,883
Debt purpose levies				3,275,517
Unrestricted grants and contributions				
State				40,389,534
Federal				254,395
Unrestricted investment earnings				24,165
Sixteenth section sources				1,526,638
Other				657,952
Total General Revenues				68,512,084
Extraordinary items (Note 18)				3,782,282
Total General Revenues and Extraordinary Items				72,294,366
Changes in Net Position				4,673,253
Net Position - Beginning, as previously reported				56,156,277
Prior Period Adjustments (Note 12)				(244,910)
Net Position - Beginning - as restated				55,911,367
Net Position - Ending				$ 60,584,620

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

LAMAR COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit C

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 2)	$ 6,911,532	1,337,425	5,977,448	14,226,405
Cash with fiscal agent (Note 2)			18,147	18,147
Investments (Note 2)		5,398,185	594,190	5,992,375
Due from other governments	1,211,005		1,370,336	2,581,341
Due from other funds (Note 3)	809,780		28,534	838,314
Advances to other funds (Note 3)		12,485,163		12,485,163
Inventories			146,272	146,272
Total Assets	8,932,317	19,220,773	8,134,927	36,288,017
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities	669,265		1,740,671	2,409,936
Due to other funds (Note 3)	28,294		809,684	837,978
Advances from other funds (Note 3)	12,485,163			12,485,163
Other payables	9,539			9,539
Total Liabilities	13,192,261	0	2,550,355	15,742,616
Fund Balances				
Nonspendable				
Inventory			146,272	146,272
Permanent fund principal		6,605,674		6,605,674
Advances		12,485,163		12,485,163
Restricted				
Debt service			1,397,554	1,397,554
Forestry improvements			133,382	133,382
Unemployment benefits			191,264	191,264
Grant activities			853,722	853,722
Contractual commitments	149,140		1,779,624	1,928,764
Assigned				
Renovation and improvements	19,580		1,082,754	1,102,334
School activities	613,923			613,923
Deficit state funding	3,103,839			3,103,839
Insurance deductibles	161,104			161,104
Other	26,330	129,936		156,266
Unassigned	(8,333,860)			(8,333,860)
Total Fund Balances	(4,259,944)	19,220,773	5,584,572	20,545,401
Total Liabilities and Fund Balances	$ 8,932,317	19,220,773	8,134,927	36,288,017

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

LAMAR COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Exhibit C-1

		Amount
Total Fund Balance - Governmental Funds		$ 20,545,401
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	607,017	
Construction in progress	14,587,971	
Buildings	76,554,812	
Improvement other than buildings	5,021,452	
Mobile equipment	7,107,790	
Furniture and equipment	6,956,002	
Accumulated depreciation	(30,133,878)	80,701,166
Deferred Outflow of Resources		
Deferred outflow from advance refunding of debt		2,624,118
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(34,380,000)	
Premium on bonds payable	(962,082)	
Limited obligations bonds payable	(5,080,000)	
Certificates of participation	(1,920,000)	
Compensated absences	(793,801)	
Accrued interest payable	(150,182)	(43,286,065)
Total Net Position - Governmental Activities		$ 60,584,620

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D

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

	Major Funds			
	General Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	$ 23,902,962		4,711,627	28,614,589
State sources	38,569,617		2,965,664	41,535,281
Federal sources	254,395		6,438,177	6,692,572
Sixteenth section sources	622,228	902,417	1,989	1,526,634
Total Revenues	63,349,202	902,417	14,117,457	78,369,076
Expenditures				
Instruction	38,741,768		4,911,101	43,652,869
Support services	21,700,902		4,025,505	25,726,407
Noninstructional services	342,697		3,658,555	4,001,252
Sixteenth section	29,165		99,757	128,922
Facilities acquisition and construction	725,251		9,650,814	10,376,065
Debt service				
Principal (Note 6)			3,171,962	3,171,962
Interest	532,348		1,994,576	2,526,924
Other	1,940		4,388	6,328
Total Expenditures	62,074,071	0	27,516,658	89,590,729
Excess (Deficiency) of Revenues Over Expenditures	1,275,131	902,417	(13,399,201)	(11,221,653)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds (Note 6)			30,975,000	30,975,000
Insurances loss recoveries			4,799,462	4,799,462
Operating transfers in (Note 3)	872,000		6,695,810	7,567,810
Other financing sources			1,966,570	1,966,570
Operating transfers out (Note 3)	(6,412,841)	(605,775)	(549,194)	(7,567,810)
Payment to refunded bond escrow agent			(31,802,794)	(31,802,794)
Other financing uses	(32,911)		(313,625)	(346,536)
Total Other Financing Sources (Uses)	(5,573,752)	(605,775)	11,771,229	5,591,702
Net Change in Fund Balances	(4,298,621)	296,642	(1,627,972)	(5,629,951)
Fund Balances				
July 1, 2012, as previously reported	407,394	18,954,901	7,162,776	26,525,071
Prior period adjustments (Note 12)	(368,717)	(30,770)		(399,487)
July 1, 2012, as restated	38,677	18,924,131	7,162,776	26,125,584
Increase in reserve for inventory			49,768	49,768
June 30, 2013	$ (4,259,944)	19,220,773	5,584,572	20,545,401

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

LAMAR COUNTY SCHOOL DISTRICT

Exhibit D-1

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 Balance - Governmental Funds		$ (5,629,951)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	11,339,732	
Depreciation expense	(2,398,411)	8,941,321
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(91,763)
Adjustment to capital assets		
Write-off of capital assets	(666,764)	
Impaired capital assets	(774,761)	(1,441,525)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(30,975,000)	
Premium on bonds payable	(962,082)	
Payments of debt principal	32,131,962	
Accrued interest payable	37,833	232,713
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	(11,428)	
Change in inventory reserve	49,768	38,340
Deferred outflow from advance refunding		2,624,118
Changes in Net Position of Governmental Activities		$ 4,673,253

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

LAMAR COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 3,725,590
Due from other funds (Note 3)	50
Total Assets	3,725,640
Liabilities	
Accounts payable and accrued liabilities	3,493,482
Due to other funds (Note 3)	386
Due to student clubs	231,772
Total Liabilities	$ 3,725,640

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

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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, the 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.

Blended component unit

The Lamar County Public School Improvement Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Corporation is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Corporation's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 15).

B. Government-wide and Fund Financial Statements

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

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

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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.

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

Payroll Clearing 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 transaction of student clubs.

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

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

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, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital

assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow from advance refunding of debt. See Note 17 for further details.

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. There are no deferred inflows presented by the school district.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Premiums

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

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

10. Fund Balances

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

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 5% of the revenues of the General Fund. See Note 11 for details.

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as

collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $14,226,405 and $3,725,590, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was $18,147.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)		Fair Value
Fidelity US Government Fund	Not Rated	Less than 1 year	$	129,936
Goldman Sachs Treasury Obligations Fund	AAAm	Less than 1 year		181,386
Goldman Sachs Group Inc. Note	A-	1 to 5 years		112,684
Mississippi State Referendum GO Bond	Aa2	Less than 1 year		505,540
Mississippi Development Bank Bond	AA-	1 to 5 years		269,443
Mississippi Home Corporation	Not Rated	Greater than 10 Years		100,418
Choctaw City GO Bonds	Not Rated	1 to 5 years		77,154
Choctaw City GO Bonds	Not Rated	5 to 10 years		180,741
Tupelo City GO Bonds	Not Rated	5 to 10 years		225,223
JP Morgan Chase & Co.	A	1 to 5 years		114,116
General Electric Capital Corporation	AA+	5 to 10 years		87,070
Federal National Mortgage Association	Aaa	1 to 5 years		250,143
Federal National Mortgage Association	Aaa	5 to 10 years		41,446
Federal Home Loan Mortgage Corporation	Aaa	1 to 5 years		532,040
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years		261,772
Federal Home Loan Mortgage Corporation	Aaa	Greater than 10 Years		694,494
Federal Home Loan Bank	Aaa	1 to 5 years		723,693
Government National Mortgage	Not Rated	Greater than 10 Years		228,631
Federal Farm Credit Bank	Aaa	1 to 5 years		210,788
Federal Farm Credit Bank	AA+	5 to 10 years		476,740
National Credit Union Association	Not Rated	5 to 10 years		176,113
Federated US Treasury Cash Reserve	AAAm	Less than 1 year		412,804
Total			$	5,992,375

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. As of June 30, 2013, the district did not have any investments to which this would apply.

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Other governmental funds	$	809,684
	Fiduciary funds		96
Other governmental funds	General Fund		28,244
	Fiduciary funds		290
Fiduciary funds	General Fund		50
Total		$	838,364

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund		Amount
Major fund - 16th section principal fund	General Fund	$	12,485,163

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30		Principal	Interest	Total
2014	$	806,798	497,985	1,304,783
2015		794,298	465,713	1,260,011
2016		794,298	433,941	1,228,239
2017		794,298	402,169	1,196,467
2018		681,798	371,819	1,053,617
2019 - 2023		3,358,990	1,451,415	4,810,405
2024 - 2028		3,200,440	791,098	3,991,538
2029 - 2032		2,054,243	193,370	2,247,613
Total	$	12,485,163	4,607,510	17,092,673

C. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	6,412,841
Major fund - 16th section principal fund	General Fund		605,775
Other governmental funds	General Fund		266,225
	Other governmental funds		282,969
Total		$	7,567,810

The transfer out of the General Fund was for the purpose of funding the vocational program, construction funds, technology fund and the worker's compensation in the Other Governmental Funds. The transfer out of the 16th Section Principal Fund was for the transfer of accumulated interest income to the General Fund. The transfer out of the Other Governmental Funds to the General Fund was for indirect cost. The transfer within the Other Governmental Funds was for the purpose of funding debt service payments.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of the Sixteenth Section Principal Fund (Permanent Fund) and the Debt Service Funds of $5,398,185 and $594,190, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling $3,153,032 and cash with fiscal agent totaling $18,147 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2013
Governmental Activities:						
Non-depreciable capital assets:						
Land	$ 607,017					607,017
Construction-in-progress	4,793,830	10,023,469		(383,905)	154,577	14,587,971
Total non-depreciable capital assets	5,400,847	10,023,469	0	(383,905)	154,577	15,194,988
Depreciable capital assets:						
Buildings	77,696,426	352,596	(174,156)	383,905	(1,703,959)	76,554,812
Improvements other than buildings	5,210,775	47,400			(236,723)	5,021,452
Mobile equipment	6,623,435	547,455	(16,471)		(46,629)	7,107,790
Furniture and equipment	6,736,431	368,812	(138,821)		(10,420)	6,956,002
Total depreciable capital assets	96,267,067	1,316,263	(329,448)	383,905	(1,997,731)	95,640,056
Less accumulated depreciation for:						
Buildings	16,891,373	1,481,593	(87,126)		(428,632)	17,857,208
Improvements other than buildings	1,655,510	202,671			(102,478)	1,755,703
Mobile equipment	3,866,217	409,070	(14,824)		(25,096)	4,235,367
Furniture and equipment	6,116,258	305,077	(135,735)			6,285,600
Total accumulated depreciation	28,529,358	2,398,411	(237,685)	0	(556,206)	30,133,878
Total depreciable capital assets, net	67,737,709	(1,082,148)	(91,763)	383,905	(1,441,525)	65,506,178
Governmental activities capital assets, net	$ 73,138,556	8,941,321	(91,763)	0	(1,286,948)	80,701,166

Adjustments to capital assets consisted of the following:

Correction of prior year errors to construction in progress	$ 154,577
Write-off of capital assets, net which were destroyed by a tornado	(666,764)
Impaired capital assets, net which were damaged by a tornado	(774,761)
	$ (1,286,948)

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 1,424,253
Support services	811,904
Non-instructional	162,254
Total depreciation expense - Governmental activities	$ 2,398,411

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
Sumrall Cafeteria	$ 1,677,820	924,036
Long Leaf Elementary School	10,295,525	25,158
Oak Grove High School Repairs	2,296,256	230,015
Oak Grove Softball Complex	62,419	160,766
Oak Grove Baseball Clubhouse	76,140	162,615
Oak Grove Football Stadium	159,497	388,914
Shop/Storage Building	2,074	0 *
Baseball Concession and Press Box	18,240	37,260
Total governmental activities	$ 14,587,971	1,928,764

* The bids for this project have not been accepted by the school board.

Construction projects included in governmental activities are funded with insurance proceeds and local funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. General obligation bonds payable	$ 34,320,000		30,625,000	3,695,000	1,780,000
B. General obligation refunding bonds payable	330,000	30,975,000	620,000	30,685,000	230,000
Premium on refunding bonds payable		1,042,255	80,173	962,082	80,173
C. Limited obligation refunding bonds payable	5,820,000		740,000	5,080,000	770,000
D. Certificates of participation payable	2,060,000		140,000	1,920,000	145,000
E. Obligations under energy efficiency leases	6,962		6,962	0	
F. Compensated absences payable	782,373	11,428		793,801	39,690
Total	$ 43,319,335	32,028,683	32,212,135	43,135,883	3,044,863

Summary of Reductions on Debt:

Payment of debt	$ 3,171,962
Reductions related to advance refunding	29,040,173
	$ 32,212,135

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, series 1998	3.75 - 4.80	10/1/1998	6/30/2013	$ 3,545,000	0
General obligation bonds, series 2005	3.5 - 5.0	6/1/2005	6/1/2015	43,000,000	3,695,000
General obligation refunding bonds, series 2012	2.0 - 2.125	12/13/2012	6/1/2025	9,985,000	9,985,000
General obligation refunding bonds, series 2013	2.0 - 5.0	3/21/2013	6/1/2023	20,990,000	20,700,000
Total				$ 77,520,000	34,380,000

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

1. The general obligation refunding bonds, series 1998 were paid in full during the fiscal year.

2. General obligation bonds, 2005

Year Ending June 30	Principal	Interest	Total
2014	$ 1,780,000	184,750	1,964,750
2015	1,915,000	95,750	2,010,750
Total	$ 3,695,000	280,500	3,975,500

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

Advance Refunding

On December 13, 2012, the district issued $9,985,000 in general obligation refunding bonds and on March 21, 2013 the district issued $20,990,000 in general obligation refunding bonds with an average interest rate of 2.27% to advance refund $28,960,000 of outstanding general obligation bonds with an average interest rate of 4.5%. The net proceeds of $31,802,794 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bonds, series 2005.

As a result, $28,960,000 of the general obligation bonds, series 2005 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities. The remaining balance of $3,695,000 of the general obligation bonds, series 2005 will be paid by both the escrow agent and the school district and will be fully retired on June 1, 2015.

The district advance refunded the general obligation bonds, series 2005 to reduce its total debt service payments over the remaining twelve years of the debt by approximately $1,704,024 and to realize an economic gain of $2,197,830.

3. General obligation refunding bonds, series 2012:

Year Ending June 30		Principal	Interest	Total
2014	$	100,000	208,481	308,481
2015		100,000	206,481	306,481
2016		100,000	204,481	304,481
2017		100,000	202,481	302,481
2018		105,000	200,481	305,481
2019 – 2023		2,455,000	970,205	3,425,205
2024 – 2025		7,025,000	224,720	7,249,720
Total	$	9,985,000	2,217,330	12,202,330

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

4. General obligation refunding bonds, series 2013:

Year Ending June 30		Principal	Interest	Total
2014	$	130,000	622,719	752,719
2015		130,000	620,118	750,118
2016		2,385,000	617,519	3,002,519
2017		2,500,000	545,969	3,045,969
2018		2,635,000	458,469	3,093,469
2019 – 2023		12,920,000	1,165,119	14,085,119
Total	$	20,700,000	4,029,913	24,729,913

This debt will be retired from the 2005 Bond Retirement Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2014	$	2,010,000	1,015,950	3,025,950
2015		2,145,000	922,349	3,067,349
2016		2,485,000	822,000	3,307,000
2017		2,600,000	748,450	3,348,450
2018		2,740,000	658,950	3,398,950
2019 – 2023		15,375,000	2,135,324	17,510,324
2024 – 2025		7,025,000	224,720	7,249,720
Total	$	34,380,000	6,527,743	40,907,743

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of

June 30, 2013, the amount of outstanding bonded indebtedness was equal to 8.4% of property assessments as of October 1, 2012.

Premium on bonds payable

Upon the issuance of the general obligation refunding bonds, series 2012 and series 2013, the school district incurred a net premium of $1,042,255 on bonds payable. This premium on bonds payable will be amortized over the life of the bonds at $80,173 per year. The unamortized balance at year end is $962,082.

B. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2006	3.5 - 3.875	1/26/2006	9/1/2018	$ 8,350,000	5,080,000

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

Year Ending June 30	Principal	Interest	Total
2014	$ 770,000	176,787	946,787
2015	795,000	148,517	943,517
2016	830,000	118,753	948,753
2017	860,000	87,058	947,058
2018	895,000	53,378	948,378
2019	930,000	18,019	948,019
Total	$ 5,080,000	602,512	5,682,512

This debt will be retired from the MAEP Debt Retirement Fund (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.

C. Certificates of participation payable

As more fully explained in Note 15, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, series 2003	3.79	8/1/2003	8/1/2023	$ 3,000,000	1,920,000

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

Year Ending June 30		Principal	Interest	Total
2014	$	145,000	70,020	215,020
2015		150,000	64,430	214,430
2016		155,000	58,650	213,650
2017		160,000	52,681	212,681
2018		165,000	46,523	211,523
2019 – 2023		935,000	130,849	1,065,849
2024		210,000	3,980	213,980
Total	$	1,920,000	427,133	2,347,133

This debt will be retired from the Athletic Project Debt Service Fund (Debt Service Fund).

D. Obligations under energy efficiency leases

This debt was paid in full during the fiscal year.

E. 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 – Impairment of Assets

During the current fiscal year, the School District recognized the following assets that qualified as impaired due to tornado damage.

Governmental Type Activities:

Classification (Instruction, Support Services, etc.)	Asset Qualifying As Impaired		Historical Cost	Less: Accumulated Depreciation	Carrying Value	Recognized Property Insurance Recovery	(Gain) Loss
Instruction	Oak Grove High School	$	1,056,829	339,137	717,692	4,060,945	(3,343,253)
Instruction	Oak Grove Football Complex		138,283	81,214	57,069	496,098	(439,029)
Governmental		$	1,195,112	420,351	774,761	4,557,043	(3,782,282)

This impairment loss is reported on the financial statements as an extraordinary item. (See Note 18)

Note 8 – Other Commitments

Commitments under construction contracts are described in Note 5.

Note 9 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 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 $5,722,438, $4,906,444 and $4,818,045, respectively, which equaled the required contributions for each year.

Note 10 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2014	$	714,049
2015		708,993
2016		702,553
2017		699,948
2018		691,250
2019 – 2023		3,443,492
2024 – 2028		3,426,885
2029 – 2033		3,112,067
Thereafter		4,693,768
Total	$	18,193,005

Note 11 – Deficit Fund Balance of Individual Funds

The District Maintenance Fund (General Fund) has a deficit unassigned fund balance in the amount of ($8,333,860). The deficit fund balance is the result of advances from the 16th Section Principal Fund totaling $12,485,163. This deficit fund balance is not in violation of state law and is not considered to be in noncompliance with the district's minimum fund balance policy.

Note 12 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

	Explanation		Amount
1.	Restatement of a prior period asset	$	(368,717)
2.	Restatement of a prior period asset		(30,770)
3.	Adjustmens to capital assets		154,577
	Total	$	(244,910)

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

Fund	Explanation		Amount
General Fund	Restatement of a prior period asset	$	(368,717)
Major Fund - 16th Section Principal Fund	Restatement of a prior period asset		(30,770)
Total		$	(399,487)

Note 13 – 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.

Note 14 – 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 15 – Trust Certificates

A trust agreement dated August 1, 2003, was executed by and between the school district and Lamar County School Improvement Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of $3,000,000. Approximately $2,922,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately $78,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 16 - Insurance loss recoveries

The School District received $4,799,462 in insurance loss recoveries related to tornado damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, insurance loss recoveries of $4,557,043 were applied toward impared assets (Note 7) while the remainder totaling $242,419 was reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
$ 237,571	98%	Instruction
4,848	2%	Support services
$ 242,419	100%	

Note 17 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of ($1,216,937) includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The $2,624,118 balance of the deferred outflow of resources at June 30, 2013 will be recognized as an expenditure and decrease unrestricted net position over the next twelve years. The deferred outflow will be amortized annually at $218,676.

Note 18 – Extraordinary Items

During the fiscal year, the school district incurred impaired capital assets resulting for damages caused by a tornado. After considering the insurance loss recoveries applicable to the impaired assets, the district reported an extraordinary item of $3,782,282.

Note 19 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through December 18, 2013, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements: In September 2013, the school district issued $18,000,000 in three mill twenty year notes for the purpose of providing financing for repairs and renovations of school district buildings and facilities.

REQUIRED SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 23,286,131	23,902,962	23,902,962	616,831	0
State sources	38,580,152	38,569,617	38,569,617	(10,535)	0
Federal sources	250,000	254,395	254,395	4,395	0
Sixteenth section sources	0	0	622,228	0	622,228
Total Revenues	62,116,283	62,726,974	63,349,202	610,691	622,228
Expenditures					
Instruction	39,250,580	38,728,221	38,741,768	522,359	(13,547)
Support services	21,694,688	21,551,251	21,700,902	143,437	(149,651)
Noninstructional services	325,915	342,697	342,697	(16,782)	0
Sixteenth section	0	0	29,165	0	(29,165)
Facilities acquisition and construction	0	890,604	725,251	(890,604)	165,353
Debt service					
Principal	823,548	0	0	823,548	0
Interest	532,348	733,047	532,348	(200,699)	200,699
Other	2,500	0	1,940	2,500	(1,940)
Total Expenditures	62,629,579	62,245,820	62,074,071	383,759	171,749
Excess (Deficiency) of Revenues Over Expenditures	(513,296)	481,154	1,275,131	994,450	793,977
Other Financing Sources (Uses)					
Operating transfers in	3,932,356	3,884,795	872,000	(47,561)	(3,012,795)
Operating transfers out	(4,831,622)	(8,470,684)	(6,412,841)	(3,639,062)	2,057,843
Other financing uses	0	0	(32,911)	0	(32,911)
Total Other Financing Sources (Uses)	(899,266)	(4,585,889)	(5,573,752)	(3,686,623)	(987,863)
Net Change in Fund Balances			(4,298,621)		
Fund Balances					
July 1, 2012, as previously reported			407,394		
Prior period adjustments			(368,717)		
July 1, 2012, as restated			38,677		
June 30, 2013			$ (4,259,944)		

The notes to the supplementary information are an integral part of this 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 984,528
National school lunch program	10.555	3,295,124
Total child nutrition cluster		4,279,652
Total U.S. Department of Agriculture		4,279,652
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	159,045
Total Federal Communications Commission		159,045
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,339,191
Career and technical education - basic grants to states	84.048	91,063
English language acquisition state grants	84.365	32,344
Improving teacher quality - state grants	84.367	351,491
Total		1,814,089
Special education cluster:		
Special education - grants to states	84.027	1,620,282
Special education - preschool grants	84.173	44,758
Total special education cluster		1,665,040
Total passed-through Mississippi Department of Education		3,479,129
Total U.S. Department of Education		3,479,129
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	54,643
Total U.S. Department of Health and Human Services		54,643
Total for All Federal Awards		$ 7,972,469

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

LAMAR COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	$ 59,171,366	46,161,809	1,789,190	4,179,820	7,040,547
Other	30,419,363	4,522,182	513,687	216,507	25,166,987
Total	$ 89,590,729	50,683,991	2,302,877	4,396,327	32,207,534
Total number of students	9,324				
Cost per student	$ 9,609	5,436	247	472	3,454

Notes to the schedule.

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

OTHER INFORMATION

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 23,902,962	23,311,103	22,507,052	21,677,123
State sources	38,569,617	37,345,606	33,579,158	33,263,685
Federal sources	254,395	234,186	150,000	315,830
Sixteenth section sources	622,228	1,106,962	0	0
Total Revenues	63,349,202	61,997,857	56,236,210	55,256,638
Expenditures				
Instruction	38,741,768	37,171,801	31,490,170	33,529,558
Support services	21,700,902	20,504,210	19,675,149	19,637,637
Noninstructional services	342,697	328,729	326,360	306,169
Sixteenth section	29,165	29,520	0	0
Facilities acquisition and construction	725,251	938,053	287,450	32,959
Debt service				
Principal	0	52,008	55,011	56,213
Interest	532,348	199,482	213,465	144,347
Other	1,940	4,440	4,440	4,439
Total Expenditures	62,074,071	59,228,243	52,052,045	53,711,322
Excess (Deficiency) of Revenues Over Expenditures	1,275,131	2,769,614	4,184,165	1,545,316
Other Financing Sources (Uses)				
Insurances loss recoveries	0	8,364	204	0
Sale of transportation equipment	0	0	9,726	0
Operating transfers in	872,000	1,128,748	1,154,567	1,020,075
Other financing sources	0	196,889	0	0
Operating transfers out	(6,412,841)	(9,879,444)	(2,347,375)	(2,525,671)
Other financing uses	(32,911)	(791)	0	0
Total Other Financing Sources (Uses)	(5,573,752)	(8,546,234)	(1,182,878)	(1,505,596)
Net Change in Fund Balances	(4,298,621)	(5,776,620)	3,001,287	39,720
Fund Balances				
July 1, as previously reported	407,394	6,184,014	3,164,609	3,124,426
Prior period adjustments	(368,717)	0	18,118	463
July 1, as restated	38,677	6,184,014	3,182,727	3,124,889
June 30	$ (4,259,944)	407,394	6,184,014	3,164,609

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 28,614,589	28,082,671	27,201,399	26,794,325
State sources	41,535,281	40,237,547	36,478,577	36,157,615
Federal sources	6,692,572	7,066,846	11,853,654	9,500,883
Sixteenth section sources	1,526,634	2,230,113	1,884,825	1,776,016
Total Revenues	78,369,076	77,617,177	77,418,455	74,228,839
Expenditures				
Instruction	43,652,869	42,158,094	40,964,521	41,250,733
Support services	25,726,407	23,610,405	23,199,880	22,903,123
Noninstructional services	4,001,252	4,316,638	4,121,453	3,682,436
Sixteenth section	128,922	98,155	50,158	44,108
Facilities acquisition and construction	10,376,065	4,763,659	433,480	58,330
Debt service				
Principal	3,171,962	2,915,146	2,770,792	2,840,155
Interest	2,526,924	2,106,562	2,253,629	2,305,469
Other	6,328	7,301	7,265	7,299
Total Expenditures	89,590,729	79,975,960	73,801,178	73,091,653
Excess (Deficiency) of Revenues Over Expenditures	(11,221,653)	(2,358,783)	3,617,277	1,137,186
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	30,975,000	0	0	0
Insurances loss recoveries	4,799,462	8,364	204	0
Sale of transportation equipment	0	0	9,726	0
Operating transfers in	7,567,810	11,285,140	4,016,609	3,545,746
Other financing sources	1,966,570	219,276	0	0
Operating transfers out	(7,567,810)	(11,285,140)	(4,016,609)	(3,545,746)
Payment to refunded bond escrow agent	(31,802,794)	0	0	0
Other financing uses	(346,536)	(791)	0	0
Total Other Financing Sources (Uses)	5,591,702	226,849	9,930	0
Net Change in Fund Balances	(5,629,951)	(2,131,934)	3,627,207	1,137,186
Fund Balances				
July 1, as previously reported	26,525,071	28,651,917	25,014,581	23,882,654
Prior period adjustments	(399,487)	0	(11,670)	463
July 1, as restated	26,125,584	28,651,917	25,002,911	23,883,117
Increase (Decrease) in reserve for inventory	49,768	5,088	21,799	(5,722)
June 30	$ 20,545,401	26,525,071	28,651,917	25,014,581

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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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*

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, *(the business-type activities, the aggregate discretely presented component units)*, each major fund, and the aggregate remaining fund information of Lamar County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lamar County School District's basic financial statements, and have issued my report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

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

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2013-01 and 2013-02].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Lamar County School District's Response to Findings

Lamar County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Lamar County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L. Shivers, CPA

Ridgeland, MS
December 18, 2013

CHARLES L. SHIVERS
Certified Public Accountant

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board
Lamar County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Lamar County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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*, is-sued 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 I 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 Lamar County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Lamar 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 my audit of compliance, I considered Lamar 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

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expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Lamar 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Charles L. Shivers, CPA

Ridgeland, MS
December 18, 2013

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

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2013, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated December 18, 2013. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. My finding and recommendation and Lamar County School District's response are as follows:

CONDITION: As of June 30, 2013, there were sixty-three 16th section leases that were more than sixty days in default in the payment of the rentals due. These leases had not been terminated by the school board or addressed otherwise by the board due to extenuating circumstances.

CRITERIA: Section 29-3-57, Mississippi Code of 1972, states "Upon a sixty (60) day default in payment of any rentals due according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

CAUSE OF CONDITION The cause of the condition is an oversight on the part of the board of education.

EFFECT OF CONDITION: The effect of the condition results in non-compliance with state laws.

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RECOMMENDATION: It is recommended that the school board comply with Section 29-3-57.

DISTRICT RESPONSE: We agree with the finding and this will be corrected immediately.

CONDITION: When reviewing the PERS Form 4B for a rehired retiree, it was noted that the employment and compensation for the rehiring of the PERS retiree was to be set at half time with half pay for the position. However, upon testing the compensation actually received by the retiree, it was noted that the retiree received excess compensation of $210.00.

CRITERIA: Section 25-11-127, Mississippi Code 1972 along with PERS rules and regulation strictly limits the employment and compensation arrangements as indicated on Form 4 B.

CAUSE OF CONDITION: The cause of the condition appears to be an oversight by management.

EFFECT OF CONDITION: This condition results in non-compliance with state laws.

RECOMMENDATION: It is recommended that management comply with the rules and regulations of the Public Employees Retirement System.

DISTRICT RESPONSE: We agree with the finding and this will be corrected immediately.

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

The Lamar County School District's responses to the findings included in this report were not audited and, accordingly, I express no opinion on them.

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.

Charles L. Shivers, CPA

Ridgeland, MS
December 18, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAMAR COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements:	Unqualified
2.	Noncompliance material to the basic financial statements noted?	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7.	Federal program identified as major program:	
	a. Child nutrition cluster	
	CFDA #: 10.553	
	CFDA #: 10.555	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No
10	Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	No

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-01

CONDITION: A high school bookkeeper performed all duties regarding the receipt of activity funds (receipted the funds, entered data into the accounting system, prepared the deposit slip and made the deposit).

CRITERIA: A well designed system of accounting controls for the receipt of activity funds would be such that no one individual performs all aspects of the transaction from beginning to end.

CAUSE OF CONDITION: The cause of the condition is the result of an inadequately designed system of controls.

EFFECT OF CONDITION: This situation could result in errors occurring in receipt of activity fund transactions (posting, deposits, etc) and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of receipting activity funds be segregated to the greatest extent possible such that no one individual performs all aspects of the transaction from beginning to end.

Finding 2013-02

CONDITION: The design of the financial accounting software is such that the payroll clerk has total rights and access to the payroll module, thus permitting the input of all data associated with payroll transactions.

CRITERIA: A well design system of accounting controls would segregate certain duties and responsibilities of the payroll module of the accounting software between the payroll clerk and the personnel office.

CAUSE OF CONDITION: The cause of the condition is a failure to properly segregate the duties and responsibilities of the payroll clerk and the personnel office within the financial accounting software.

EFFECT OF CONDITION: The effect of this condition could result in errors occurring within the payroll system and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties and responsibilities of the payroll clerk and the personnel office be segregated within the financial accounting software.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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LAMAR COUNTY
SCHOOL DISTRICT
empowering learners

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December 17, 2013

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

Finding 2013-01

Corrective Action Plan

a. Contact person responsible for corrective action – Jennifer Hession
b. Description of correction action to be taken – The bookkeeper's duties have been divided between existing office personnel to create adequate segregation of duties. One employee no longer performs all aspects of transactions from beginning to end.
c. Anticipated completion date of corrective action – This action was completed in February 2013.

Finding 2013-02

Corrective Action Plan

a. Contact person responsible for corrective action – Chris Wooten
b. Description of correction action to be taken – The duties and responsibilities of the payroll clerk has been segregated with personnel in the Human Resources department for the input of payroll transactions. The financial software security has been changed so that the payroll clerk no longer has the ability to enter all transactions for payroll.
c. Anticipated completion date of corrective action - Immediately

Sincerely,

Ben Burnett
Superintendent of Education

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