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LAWRENCE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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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
Lawrence 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 Lawrence 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 Lawrence 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 basic 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 Lawrence 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 abc 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 October 15, 2013, on my consideration of the Lawrence 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 Lawrence County School District's internal control over financial reporting and compliance.

Charles L. Shivers, CPA

Ridgeland, MS
October 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of the Lawrence 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 $299,744, including a prior period adjustment of ($25,572), which represents a 2.9% increase from fiscal year 2012. Total net position for 2012 decreased $247,167, including a prior period adjustment of ($5,653), which represents a 2.3% increase/decrease from fiscal year 2011.

- General revenues amounted to $15,388,818 and $14,639,969, or 78.8% and 76.5% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,150,921, or 21.2% of total revenues for 2013, and $4,508,620, or 23.5% of total revenues for 2012.

- The District had $19,214,423 and $19,390,103 in expenses for fiscal years 2013 and 2012; only $4,150,921 for 2013 and $4,508,620 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $15,388,818 for 2013 and $14,639,969 for 2012 were available to provide for these programs.

- Among major funds, the General Fund had $15,253,824 in revenues and $14,028,369 in expenditures for 2013, and $14,942,042 in revenues and $13,807,994 in expenditures in 2012. The General Fund's fund balance increased by $226,720, which included a prior period adjustment of ($6,100) from 2012 to 2013, and increased by $3,849,675, which included a prior period adjustment of ($5,653) from 2011 to 2012.

- Capital assets, net of accumulated depreciation, decreased by $169,272 for 2013 and decreased by $280,342 for 2012. The decrease for 2013 was due to the increase in accumulated depreciation.

- Long-term debt decreased by $9,002 for 2013 and decreased by $537,941 for 2012. This decrease for 2013 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by $28,050 for 2013 and increased by $13,618 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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 exceeded liabilities by $10,606,924 as of June 30, 2013.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 5,154,167	$ 4,922,556	4.71 %
Restricted assets	1,393,444	1,158,836	20.25 %
Capital assets, net	8,806,701	8,975,973	-1.89 %
Total assets	**15,354,312**	**15,057,365**	**1.97 %**
Current liabilities	286,956	280,751	2.21 %
Long-term debt outstanding	4,460,432	4,469,434	-0.20 %
Total liabilities	**4,747,388**	**4,750,185**	**-0.06 %**
Net position:			
Invested in capital assets, net of related debt	4,512,013	4,666,380	-3.31 %
Restricted	1,320,380	1,067,808	23.65 %
Unrestricted	4,774,531	4,572,992	4.41 %
Total net position	**$ 10,606,924**	**$ 10,307,180**	**2.91 %**

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

- Decrease in net capital assets in the amount of $169,272.
- The principal retirement of $37,052 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 $19,539,739 and $19,148,589, respectively. The total cost of all programs and services was $19,214,423 for 2013 and $19,390,103 for 2012.

Table 2 presents a summary of the changes in net assets 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	$ 642,366	$ 698,249	(8.00) %
Operating grants and contributions	3,508,555	3,810,371	(7.92) %
General revenues:			
Property taxes	5,470,512	5,063,894	8.03 %
Grants and contributions not restricted	9,825,826	9,212,619	6.66 %
Investment earnings	25,482	22,855	11.49 %
Sixteenth section sources	66,998	332,710	(79.86) %
Other	0	7,891	(100.00) %
Total revenues	**19,539,739**	**19,148,589**	**2.04 %**
Expenses:			
Instruction	10,565,044	10,949,683	(3.51) %
Support services	7,196,264	7,023,952	2.45 %
Non-instructional	1,280,611	1,251,516	2.32 %
Sixteenth section	62,535	41,380	51.12 %
Interest on long-term liabilities	109,969	123,572	(11.01) %
Total expenses	**19,214,423**	**19,390,103**	**(0.91) %**
Increase (Decrease) in net position	**325,316**	**(241,514)**	**(234.70) %**
Net Position, July 1, as previously reported	**10,307,180**	**10,554,347**	(2.34) %
Prior Period Adjustment	**(25,572)**	**(5,653)**	352.36 %
Net Position, July 1, as restated	**10,281,608**	**10,548,694**	**(2.53) %**
Net Position, June 30	**$ 10,606,924**	**$ 10,307,180**	**2.91 %**

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		Percentage
	2013	2012	Change
Instruction	$ 10,565,044	$ 10,949,683	(3.51) %
Support services	7,196,264	7,023,952	2.45 %
Non-instructional	1,280,611	1,251,516	2.32 %
Sixteenth section	62,535	41,380	51.12 %
Interest on long-term liabilities	109,969	123,572	(11.01) %
Total expenses	**$ 19,214,423**	**$ 19,390,103**	**(0.91) %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (8,828,092)	$ (8,722,186)	1.21 %
Support services	(6,111,229)	(6,030,646)	1.34 %
Non-instructional	48,323	36,301	33.12 %
Sixteenth section	(62,535)	(41,380)	51.12 %
Interest on long-term liabilities	(109,969)	(123,572)	(11.01) %
Total net (expense) revenue	**$ (15,063,502)**	**$ (14,881,483)**	**1.22 %**

- Net cost of governmental activities ($15,063,502 for 2013 and $14,881,483 for 2012) was financed by general revenue, which is primarily made up of property taxes ($5,470,512 for 2013 and $5,063,894 for 2012) and state and federal revenues ($9,825,826 for 2013 and $9,212,619 for 2012). In addition, there was $66,998 and $332,710 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $25,482 for 2013 and $22,855 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 $6,325,246, an increase of $478,006, which includes a prior period adjustment of ($6,294) and an increase in inventory of $4,789. $4,759,285 or 75.2% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $1,565,961 or 24.8% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $226,720, which includes a prior period adjustment of ($6,100). The fund balance of Other Governmental Funds showed an increase in the amount of $251,286, which includes a prior period adjustment of ($194) and an increase in reserve for inventory of $4,789.

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 $17,714,902, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $154,815 from 2012. Total accumulated depreciation as of June 30, 2013, was $8,908,201, and total depreciation expense for the year was $392,257, resulting in total net capital assets of $8,806,701.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 214,837	$ 214,837	0.00 %
Buildings	5,204,736	5,337,790	(2.49) %
Building improvements	2,399,106	2,504,140	(4.19) %
Improvements other than buildings	229,270	244,133	(6.09) %
Mobile equipment	580,472	551,795	5.20 %
Furniture and equipment	178,280	123,278	44.62 %
Total	**$ 8,806,701**	**$ 8,975,973**	**(1.89) %**

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 $4,460,432 in outstanding long-term debt, of which $28,522 is due within one year. The liability for compensated absences increased $28,050 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Shortfall notes payable	$ 0	$ 22,147	(100.00) %
Obligations under energy efficiency leases	1,294,688	1,309,593	(1.14) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	165,744	137,694	20.37 %
Total	**$ 4,460,432**	**$ 4,469,434**	**(0.20) %**

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

CURRENT ISSUES

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

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

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

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 Lawrence County School District, 346 Jolly Drive, Monticello, MS 39654

FINANCIAL STATEMENTS

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Lawrence County School District
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 4,546,792
Due from other governments	582,005
Other receivables, net	3,128
Inventories	22,242
Restricted assets (Note 4)	1,393,444
Non-depreciable capital assets (Note 5)	214,837
Depreciable capital assets, net (Note 5)	8,591,864
Total Assets	15,354,312
Liabilities	
Accounts payable and accrued liabilities	221,210
Interest payable on long-term liabilities	64,591
Other payables	1,155
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	15,262
Non-capital related liabilities	13,260
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,279,426
Non-capital related liabilities	152,484
Total Liabilities	4,747,388
Net Position	
Net investment in capital assets	4,512,013
Restricted net assets	
Expendable	
School-based activities	268,354
Debt service	824,824
Capital Projects	4,246
Forestry improvements	116,339
Unemployment benefits	46,000
Non-expendable	
Sixteenth section	60,617
Unrestricted	4,774,531
Total Net Position	$ 10,606,924

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

Lawrence 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	$ 10,565,044	329,293	1,407,659	(8,828,092)
Support services	7,196,264		1,085,035	(6,111,229)
Non-instructional	1,280,611	313,073	1,015,861	48,323
Sixteenth section	62,535			(62,535)
Interest on long-term liabilities	109,969			(109,969)
Total Governmental Activities	19,214,423	642,366	3,508,555	(15,063,502)
General Revenues				
Taxes				
General purpose levies				5,468,728
Debt purpose levies				1,784
Unrestricted grants and contributions				
State				9,565,816
Federal				260,010
Unrestricted investment earnings				25,482
Sixteenth section sources				66,998
Total General Revenues				15,388,818
Changes in Net Position				325,316
Net Position - Beginning, as previously reported				10,307,180
Prior Period Adjustments (Note 9)				(25,572)
Net Position - Beginning - as restated				10,281,608
Net Position - Ending				$ 10,606,924

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

Lawrence County School District
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit C

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 2)	$ 4,546,792	460,065	5,006,857
Cash with fiscal agent (Note 2)		13,699	13,699
Investments (Note 2)		919,680	919,680
Due from other governments	200,505	381,500	582,005
Due from other funds (Note 3)	351,356		351,356
Advances to other funds (Note 3)	2,000		2,000
Inventories		22,242	22,242
Total Assets	5,100,653	1,797,186	6,897,839
Liabilities and Fund Balances			
Liabilities			
Accounts payable & accrued liabilities	158,861	62,349	221,210
Due to other funds (Note 3)	1,517	348,711	350,228
Other payables		1,155	1,155
Total Liabilities	160,378	412,215	572,593
Fund Balances			
Nonspendable			
Inventory		22,242	22,242
Permanent fund principal		60,617	60,617
Advances	2,000		2,000
Restricted			
Debt service		889,415	889,415
Capital projects		4,246	4,246
Forestry improvements		116,339	116,339
Unemployment benefits		46,000	46,000
Grant activities		246,112	246,112
Assigned			
School activities	178,990		178,990
Unassigned	4,759,285		4,759,285
Total Fund Balances	4,940,275	1,384,971	6,325,246
Total Liabilities and Fund Balances	$ 5,100,653	1,797,186	6,897,839

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

Lawrence 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		$ 6,325,246
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	214,837	
Buildings	10,926,147	
Building improvements	2,625,859	
Improvement other than buildings	557,213	
Mobile equipment	2,608,954	
Furniture and equipment	781,892	
Accumulated depreciation	(8,908,201)	8,806,701
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school constructions bonds	(3,000,000)	
Energy efficiency lease obligations	(1,294,688)	
Compensated absences	(165,744)	
Accrued interest payable	(64,591)	(4,525,023)
Total Net Position - Governmental Activities		$ 10,606,924

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

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

Exhibit D

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	$ 5,811,986	326,748	6,138,734
State sources	9,063,746	502,071	9,565,817
Federal sources	314,806	3,453,764	3,768,570
Sixteenth section sources	63,286	3,332	66,618
Total Revenues	15,253,824	4,285,915	19,539,739
Expenditures			
Instruction	8,690,788	1,696,613	10,387,401
Support services	5,243,532	1,980,869	7,224,401
Noninstructional services		1,269,085	1,269,085
Sixteenth section	3,062	59,473	62,535
Debt service			
Principal (Note 6)	14,905	22,147	37,052
Interest	76,082	27,449	103,531
Other		7,724	7,724
Total Expenditures	14,028,369	5,063,360	19,091,729
Excess (Deficiency) of Revenues Over Expenditures	1,225,455	(777,445)	448,010
Other Financing Sources (Uses)			
Insurances loss recoveries	31,501		31,501
Operating transfers in (Note 3)	59,966	1,149,102	1,209,068
Operating transfers out (Note 3)	(1,084,102)	(124,966)	(1,209,068)
Total Other Financing Sources (Uses)	(992,635)	1,024,136	31,501
Net Change in Fund Balances	232,820	246,691	479,511
Fund Balances			
July 1, 2012, as previously reported	4,713,555	1,133,685	5,847,240
Prior period adjustments (Note 9)	(6,100)	(194)	(6,294)
July 1, 2012, as restated	4,707,455	1,133,491	5,840,946
Increase in reserve for inventory		4,789	4,789
June 30, 2013	$ 4,940,275	1,384,971	6,325,246

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

Lawrence County School District
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

Exhibit D-1

		Amount
Net Change in Fund Balance - Governmental Funds		
Amounts reported for governmental activities in the Statement of Activities are different because:		$ 479,511
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	232,558	
Depreciation expense	(392,257)	(159,699)
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.		(9,573)
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 assets. 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:		
Payments of debt principal	37,052	
Accrued interest payable	1,286	38,338
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	(28,050)	
Change in inventory reserve	4,789	(23,261)
Changes in Net Assets of Governmental Activities		$ 325,316

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

Lawrence County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 739,830
Due from other funds (Note 3)	1,517
Total Assets	741,347
Liabilities	
Accounts payable and accrued liabilities	720,835
Due to other funds (Note 3)	2,645
Due to student clubs	15,867
Advances to other funds (Note 3)	2,000
Total Liabilities	$ 741,347

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.

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.

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 and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. 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
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

7. Compensated Absences

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

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

8. Long-term Liabilities

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

9. Fund Balances

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

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

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

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

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

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 Manager 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.

The District has adopted a policy for a minimum fund balance in the General Fund. The minimum fund balance is established at 7.5% of the district maintenance fund revenues.

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 $5,067,474 (which includes $60,617 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and $739,830, 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 school district's cash with fiscal agents held by financial institutions was $13,699.

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
U.S. Government securities	N/A	Less than 1 Year	$	859,063
Certificates of deposit	N/A	1 Year		60,617
Total			$	919,680

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

Issuer		Fair Value	% of Total Investments
State Bank - Certificate of Deposit	$	60,617	6.6%

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	$	348,711
	Fiduciary funds		2,645
Fiduciary funds	General Fund		1,517
Total		$	352,873

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 entries.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Fiduciary funds	$	2,000

The purpose of the advance to the Fiduciary Funds was to provide resources for unforeseen items.

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	$ 1,084,102
Other governmental funds	Other governmental funds	65,000
Other governmental funds	General Fund	59,966
Total		$ 1,209,068

The transfer out of the General Fund was for the purpose of funding the vocational program and the worker's compensation fund. The transfers within the Other Governmental Funds were for the purpose of funding debt payments of the district. The transfers out of the Other Governmental Funds to the General Fund were for indirect cost on Federal programs.

Note 4 – Restricted Assets

Restricted assets consist of an asset (cash, cash with fiscal agent and investments) whose use is legally restricted and may not be used for purposes that support the district's programs, such as 16th Section Principal Fund ($60,617), debt service funds ($889,415), capital project funds ($4,246) and the assets of various state and federal programs ($439,166).

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 214,837			214,837
Total non-depreciable capital assets	214,837	0	0	214,837
Depreciable capital assets:				
Buildings	10,926,147			10,926,147
Building improvements	2,625,859			2,625,859
Improvements other than buildings	557,213			557,213
Mobile equipment	2,549,409	118,000	(58,455)	2,608,954
Furniture and equipment	686,622	114,558	(19,288)	781,892
Total depreciable capital assets	17,345,250	232,558	(77,743)	17,500,065
Less accumulated depreciation for:				
Buildings	5,588,357	133,054		5,721,411
Building improvements	121,719	105,034		226,753
Improvements other than buildings	313,080	14,863		327,943
Mobile equipment	1,997,614	83,478	(52,610)	2,028,482
Furniture and equipment	563,344	55,828	(15,560)	603,612
Total accumulated depreciation	8,584,114	392,257	(68,170)	8,908,201
Total depreciable capital assets, net	8,761,136	(159,699)	(9,573)	8,591,864
Governmental activities capital assets, net	$ 8,975,973	(159,699)	(9,573)	8,806,701

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 209,144
Support services	166,798
Non-instructional	16,315
Total depreciation expense - Governmental activities	$ 392,257

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. Shortfall notes payable	$ 22,147		22,147	0	
B. Obligations under energy efficiency leases	1,309,593		14,905	1,294,688	15,262
C. Qualified school construction bonds payable	3,000,000			3,000,000	
D. Compensated absences payable	137,694	28,050		165,744	13,260
Total	$ 4,469,434	28,050	37,052	4,460,432	28,522

A. Shortfall notes payable

The shortfall notes were paid in full during the fiscal year.

B. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Energy efficiency lease, series B	2.40	12/15/2010	12/15/2013	$ 44,723	15,262
2. Energy efficiency lease, series C	5.89	12/15/2010	12/15/2019	1,279,426	1,279,426
Total				$ 1,324,149	1,294,688

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

1. Obligations under energy efficiency leases, series B:

Year Ending June 30	Principal	Interest	Total
2014	$ 15,262	366	15,628

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

See Note 13 for more information regarding this debt.

2. Obligations under energy efficiency leases, series C:

Year Ending June 30	Principal	Interest	Total
2014	$	75,359	75,359
2015		75,358	75,358
2016		75,358	75,358
2017		75,358	75,358
2018		75,358	75,358
2019 – 2020	1,279,426	150,716	1,430,142
Total	$ 1,279,426	527,507	1,806,933

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

Total obligations under energy efficiency leases payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	$ 15,262	75,725	90,987
2015		75,358	75,358
2016		75,358	75,358
2017		75,358	75,358
2018		75,358	75,358
2019 – 2020	1,279,426	150,716	1,430,142
Total	$ 1,294,688	527,873	1,822,561

An energy efficiency lease agreement dated December 1, 2010, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of $1,760,164 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the District Maintenance Fund (General Fund) and the QSCB Energy Retirement Fund (Debt Service Fund) and not exceed ten (10) years.

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

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

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school constructions bonds	0.88	1/26/2010	9/15/2024	$ 3,000,000	3,000,000

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

D. Compensated absences payable

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

Note 7 – 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 $1,510,481, $1,368,931 and $1,288,544, respectively, which equaled the required contributions for each year.

Note 8 – 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	$	26,851
2015		20,241
2016		17,376
2017		17,176
2018		15,816
2019 – 2023		4,600
Total	$	102,060

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

	Explanation		Amount
1.	Write-off of prior year long term deferred charge which resulted from issuance cost on debt from a prior year.	$	(19,278)
2.	Correction of prior year receivable / current year revenue		(6,294)
	Total	$	(25,572)

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

Fund	Explanation		Amount
General Fund	Correction of prior year receivable / current year revenue	$	(6,100)
Other governmental funds	Correction of prior year receivable / current year revenue		(194)
Total		$	(6,294)

Note 10 – 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 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was $613,698. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2014	$	200,000
2015		200,000
2016		200,000
2017		200,000
2018		200,000
2019 – 2023		1,000,000
2024 – 2025		400,000
Total	$	2,400,000

Note 13 – Obligations Under Energy Efficiency Lease

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with energy management services. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The amount on deposit at June 30, 2013 was $259,064. The amount accumulated in the sinking fund at the end of the nine year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2014	$	140,000
2015		144,000
2016		146,000
2017		146,000
2018		146,000
2019– 2020		145,426
Total	$	867,426

Note 14 - Insurance loss recoveries

The School District received $31,501 in insurance loss recoveries related to storm damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
$ 31,501	100%	Instruction

Note 15 – Economic Dependency

Example - The school district is significantly economically dependent on an ad valorem tax payer (Georgia-Pacific Corporation). In the event of a loss of ad valorem taxes from this payer, the district would encounter an economic hardship.

REQUIRED SUPPLEMENTARY INFORMATION

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Lawrence 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	$ 5,686,271	5,802,348	5,811,986	116,077	9,638
State sources	9,038,328	9,063,746	9,063,746	25,418	0
Federal sources	313,000	314,806	314,806	1,806	0
Sixteenth section sources	0	0	63,286	0	63,286
Total Revenues	15,037,599	15,180,900	15,253,824	143,301	72,924
Expenditures					
Instruction	8,854,821	8,690,788	8,690,788	164,033	0
Support services	5,371,041	5,227,193	5,243,532	143,848	(16,339)
Sixteenth section	0	0	3,062	0	(3,062)
Facilities acquisition and construction	0	16,339	0	(16,339)	16,339
Debt service					
Principal	14,905	14,905	14,905	0	0
Interest	76,082	76,082	76,082	0	0
Total Expenditures	14,316,849	14,025,307	14,028,369	291,542	(3,062)
Excess (Deficiency) of Revenues Over Expenditures	720,750	1,155,593	1,225,455	434,843	69,862
Other Financing Sources (Uses)					
Insurance loss recoveries	0	31,501	31,501	31,501	0
Operating transfers in	1,791,685	1,369,928	59,966	(421,757)	(1,309,962)
Operating transfers out	(2,512,833)	(2,218,953)	(1,084,102)	293,880	1,134,851
Total Other Financing Sources (Uses)	(721,148)	(817,524)	(992,635)	(96,376)	(175,111)
Net Change in Fund Balances			232,820		
Fund Balances					
July 1, 2012, as previously reported			4,713,555		
Prior period adjustments			(6,100)		
July 1, 2012, as restated			4,707,455		
June 30, 2013			$ 4,940,275		

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

(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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Lawrence 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	$ 344,404
National school lunch program	10.555	961,305
Total child nutrition cluster		1,305,709
Total U.S. Department of Agriculture		1,305,709
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	150,470
Total Federal Communications Commission		150,470
U.S. Department of Education		
Direct programs:		
Safe and drug free schools and communities – national programs	84.184	918,977
Total		918,977
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	785,569
Career and technical education - basic grants to states	84.048	24,652
Rural education	84.358	87,387
Improving teacher quality - state grants	84.367	117,369
Total		1,014,977
Special education cluster:		
Special education - grants to states	84.027	476,258
Special education - preschool grants	84.173	10,224
Total special education cluster		486,482
Total passed-through Mississippi Department of Education		1,501,459
Total U.S. Department of Education		2,420,436
Other Federal Assistance		
Direct program:		
Reserve Officers' Training Corps	12.XXX	54,796
Total Other Federal Assistance		54,796
Total for All Federal Awards		$ 3,931,411

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.

Lawrence 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	$ 14,631,088	$ 10,691,842	$ 937,744	$ 1,208,155	$ 1,793,347
Other	$ 4,460,641	$ 1,390,283	$ 678,467	$ 63,046	$ 2,328,845
Total	$ 19,091,729	$ 12,082,125	$ 1,616,211	$ 1,271,201	$ 4,122,192
Total number of students	2,020				
Cost per student	$ 9,451	$ 5,981	$ 800	$ 629	$ 2,041

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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Lawrence 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	$ 5,811,986	5,441,098	5,692,395	5,327,204
State sources	9,063,746	8,864,922	8,426,665	8,785,124
Federal sources	314,806	347,697	120,815	74,001
Sixteenth section sources	63,286	288,325	0	0
Total Revenues	15,253,824	14,942,042	14,239,875	14,186,329
Expenditures				
Instruction	8,690,788	8,812,800	8,199,137	8,831,478
Support services	5,243,532	4,872,214	4,885,618	4,947,448
Sixteenth section	3,062	16,415	0	0
Facilities acquisition and construction	0	0	0	69,366
Debt service				
Principal	14,905	14,556	0	0
Interest	76,082	92,009	0	0
Total Expenditures	14,028,369	13,807,994	13,084,755	13,848,292
Excess (Deficiency) of Revenues Over Expenditures	1,225,455	1,134,048	1,155,120	338,037
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	63,477
Insurances loss recoveries	31,501	7,891	9,418	3,803
Sale of transportation equipment	0	0	803	0
Operating transfers in	59,966	3,710,355	77,343	144,467
Operating transfers out	(1,084,102)	(996,966)	(787,101)	(922,451)
Other financing uses	0	0	0	(71)
Total Other Financing Sources (Uses)	(992,635)	2,721,280	(699,537)	(710,775)
Net Change in Fund Balances	232,820	3,855,328	455,583	(372,738)
Fund Balances				
July 1, as previously reported	4,713,555	863,880	437,472	810,210
Prior period adjustments	(6,100)	(5,653)	(29,175)	0
July 1, as restated	4,707,455	858,227	408,297	810,210
June 30	$ 4,940,275	4,713,555	863,880	437,472

* Source - Prior year audit reports.

Lawrence 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	$ 6,138,734	5,778,250	6,139,869	5,789,342
State sources	9,565,817	9,378,411	8,887,121	9,200,661
Federal sources	3,768,570	3,651,327	4,659,246	4,216,108
Sixteenth section sources	66,618	332,710	783,365	540,297
Total Revenues	19,539,739	19,140,698	20,469,601	19,746,408
Expenditures				
Instruction	10,387,401	10,735,960	10,873,492	11,617,276
Support services	7,224,401	6,860,701	7,835,288	6,560,441
Noninstructional services	1,269,085	1,230,995	1,288,550	1,225,328
Sixteenth section	62,535	41,380	56,077	40,780
Facilities acquisition and construction	0	93,197	3,159,104	287,454
Debt service				
Principal	37,052	551,559	96,330	72,614
Interest	103,531	125,522	27,384	11,110
Other	7,724	1,500	0	0
Total Expenditures	19,091,729	19,640,814	23,336,225	19,815,003
Excess (Deficiency) of Revenues Over Expenditures	448,010	(500,116)	(2,866,624)	(68,595)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	0	3,000,000
Proceeds of loans	0	0	1,760,164	63,477
Insurances loss recoveries	31,501	7,891	9,418	3,803
Sale of transportation equipment	0	0	803	0
Operating transfers in	1,209,068	4,772,321	1,632,042	1,415,671
Operating transfers out	(1,209,068)	(4,772,321)	(1,632,042)	(1,415,671)
Other financing uses	0	0	0	(23,179)
Total Other Financing Sources (Uses)	31,501	7,891	1,770,385	3,044,101
Net Change in Fund Balances	479,511	(492,225)	(1,096,239)	2,975,506
Fund Balances				
July 1, as previously reported	5,847,240	6,353,871	7,468,205	4,491,073
Prior period adjustments	(6,294)	(5,653)	(20,885)	0
July 1, as restated	5,840,946	6,348,218	7,447,320	4,491,073
Increase (Decrease) in reserve for inventory	4,789	(8,753)	2,790	1,626
June 30	$ 6,325,246	5,847,240	6,353,871	7,468,205

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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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
Lawrence 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, each major fund, and the aggregate remaining fund information of Lawrence County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lawrence County School District's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Lawrence 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 Lawrence County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Lawrence 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].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence 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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Lawrence County School District's Response to Findings

Lawrence County School District's response to the finding identified in my audit is described in the accompanying Auditee's Corrective Action Plan. Lawrence County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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
October 15, 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
Lawrence County School District

Report on Compliance for Each Major Federal Program

I have audited Lawrence 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 Lawrence County School District's major federal programs for the year ended June 30, 2013. Lawrence 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 Lawrence 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 Lawrence 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 Lawrence County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Lawrence 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 Lawrence 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 Lawrence County School District's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Lawrence 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
October 15, 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
Lawrence County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of and for the year ended June 30, 2013, which collectively comprise Lawrence County School District's basic financial statements and have issued my report thereon dated October 15, 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 instance of noncompliance with other state laws and regulations. My finding and recommendation and Lawrence County School District's response are as follows:

CONDITION: A Public Employee Retirement System (PERS) retiree was employed by the school district according to the rules and regulations of PERS. Upon comparing the actual salary received by the retiree to the limitation stated on PERS Form 4B, the retiree was overpaid by $376.50.
CRITERIA: The salary of PERS retirees that are employed is limited to the amount stated on PERS Form 4B.
CAUSE OF CONDITION: The cause of the condition was an oversight by school district management.
EFFECT OF CONDITION: The effect of the condition could result in non-compliance with PERS rules and regulations.
RECOMMENDATION: It is recommended that the salary of PERS retirees be limited to that stated on the PERS Form 4B.
SCHOOL DISTRICT'S RESPONSE: We concur with the finding and we will establish appropriate controls to prevent this from reoccurring in the future.

Member: AICPA, MSCPA
The CPA. Never Underestimate The Value. ®

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

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

Charles L. Shivers, CPA

Ridgeland, MS
October 15, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Lawrence 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. Title I grants to local educational agencies cluster CFDA #: 84.010	
	b. Special education cluster CFDA #: 84.027 CFDA#: 84.173	
	c. Safe and drug free schools and communities - national programs CFDA#: 84.184	
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?	Yes

Section II: Financial Statement Findings

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

Finding 2013-01

CONDITION: There exists a lack of segregation of duties with regards to the high school bookkeeper over the receipting of funds. This individual is responsible for receipting the monies, preparing the deposit slip, making the bank deposit and entering the data into the accounting system. In addition, there is no documented oversight or monitoring of this individual's duties and responsibilities at the central office. Due to the timing of the audits, this finding is carried forward from the prior year.

CRITERIA: A properly designed system of accounting controls would have these duties and responsibilities segregated to the greatest extent possible. There should also be a documented system of oversight and review by an individual at the central office who is not associated with the bookkeeper's duties and responsibilities.

CAUSE OF CONDITION: The cause of this condition is the result of limited personnel at the high school office and an absence of documentation at the central office to support the oversight and review of the bookkeeper's duties and responsibilities.
EFFECT OF CONDITION: This condition could result in errors occurring in the receipting and accounting of activity funds and those errors not being detected and corrected.
RECOMMENDATION: It is recommended that the high school bookkeeper's duties and responsibilities be segregated to the greatest extent possible. It is also recommended that the central office staff member who is assigned the responsibility of reviewing the high school bookkeeper's duties documented the occurrence of that action. At a minimum this should include the issuance of receipt books, the accounting for sequentially numbered receipts issued during the month, cross-referencing receipts issued to the deposit slips and deposit slips to the bank statement.

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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LAWRENCE COUNTY SCHOOL DISTRICT
TAMMY G. FAIRBURN
SUPERINTENDENT OF EDUCATION

346 THOMAS E. JOLLY DRIVE – MONTICELLO, MS 39654-9301
TELEPHONE (601) 587-2506 – FAX (601) 587-2221

JIMMY RAY HUTCHINSON, DIST. 1 - MAXIE BOUTWELL, DIST. 2 - TONY THAMES, DIST. 3 - SCOTT BRYAN, DIST. 4 - JOHNNIE MAE WOODARD, DIST. 5

October 15, 2013

As required by Section 315(c) of OMB Circular A-133, the Lawrence 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: Tammy G. Fairburn, Superintendent
b. Description of correction action to be taken: To the extent possible, duties will be segregated via utilization of other personnel
c. Anticipated completion date of corrective action: October 1, 2013

Sincerely,

Tammy G. Fairburn

Superintendent of Education

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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LAWRENCE COUNTY SCHOOL DISTRICT
TAMMY G. FAIRBURN
SUPERINTENDENT OF EDUCATION

346 THOMAS E. JOLLY DRIVE – MONTICELLO, MS 39654-9301
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Summary Schedule of Prior Audit Findings

October 8, 2013

Financial and Compliance Audit Division

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

Finding	Status
2012-05	Corrected

Sincerely,

Tammy G. Fairburn

Superintendent of Education

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