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# Lincoln County School District

Audited Financial Statements  
For the Year Ended June 30, 2013

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Lincoln County School District  
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Lincoln County School District

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-16 and 46-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Lincoln County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 21, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Lincoln 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 \$2,597,722, which represents a 6% increase from fiscal year 2012. Total net position for 2012 increased \$3,650,866, which represents a 9% increase from fiscal year 2011.
- General revenues amounted to \$20,032,735 and \$20,573,928, or 83% and 84% 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 \$4,037,788, or 17% of total revenues for 2013, and \$3,966,078, or 16% of total revenues for 2012.
- The District had \$21,472,801 and \$20,889,140 in expenses for fiscal years 2013 and 2012; only \$4,037,788 for 2013 and \$3,966,078 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$20,032,735 for 2013 and \$20,573,928 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,359,280 in revenues and \$16,476,659 in expenditures for 2013, and \$17,165,482 in revenues and \$15,932,164 in expenditures in 2012. The General Fund's fund balance increased by \$767,714 from 2012 to 2013, and increased by \$93,303 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$4,190,684 for 2013 and increased by \$294,097 for 2012. The increase for 2013 was due primarily to the ongoing construction of school facilities, the purchase of land, improvements other than buildings, and various items of mobile equipment and furniture and equipment during the fiscal year.
- Long-term debt decreased by \$514,606 for 2013 and decreased by \$512,189 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$25,394 for 2013 and increased by \$2,811 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.

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

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

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

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.

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

**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 and each additional major special revenue 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 \$48,557,309 as of June 30, 2013.

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

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

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

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 17,023,975	\$ 19,561,498	(12.97) %
Restricted assets	13,380,475	12,368,518	8.18 %
Capital assets, net	<u>23,408,693</u>	<u>19,218,009</u>	21.81 %
<b>Total assets</b>	<b><u>53,813,143</u></b>	<b><u>51,148,025</u></b>	<b>5.21 %</b>
Current liabilities	857,705	275,703	211.10 %
Long-term debt outstanding	<u>4,398,129</u>	<u>4,912,735</u>	(10.47) %
<b>Total liabilities</b>	<b><u>5,255,834</u></b>	<b><u>5,188,438</u></b>	<b>1.30 %</b>
<b>Net position:</b>			
Net investment in capital assets	19,168,693	14,438,009	32.77 %
Restricted	18,208,555	16,159,836	12.68 %
Unrestricted	<u>11,180,061</u>	<u>15,361,742</u>	(27.22) %
<b>Total net position</b>	<b><u>\$ 48,557,309</u></b>	<b><u>\$ 45,959,587</u></b>	<b>5.65 %</b>

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

- Increase in net capital assets in the amount of \$4,190,684.
- The principal retirement of \$540,000 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 \$24,070,523 and \$24,540,006, respectively. The total cost of all programs and services was \$21,472,801 for 2013 and \$20,889,140 for 2012.

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

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

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 964,883	\$ 937,728	2.90 %
Operating grants and contributions	3,072,905	3,028,350	1.47 %
General revenues:			
Property taxes	4,192,408	3,954,096	6.03 %
Grants and contributions not restricted	13,599,236	13,644,441	(0.33) %
Investment earnings	86,587	169,055	(48.78) %
Sixteenth section sources	2,129,683	2,771,782	(23.17) %
Other	24,821	34,554	(28.17) %
<b>Total revenues</b>	<b><u>24,070,523</u></b>	<b><u>24,540,006</u></b>	<b>(1.91) %</b>
<b>Expenses:</b>			
Instruction	12,672,882	12,385,576	2.32 %
Support services	6,687,156	6,234,871	7.25 %
Non-instructional	1,507,748	1,493,538	0.95 %
Sixteenth section	404,669	553,327	(26.87) %
Interest on long-term liabilities	200,346	221,828	(9.68) %
<b>Total expenses</b>	<b><u>21,472,801</u></b>	<b><u>20,889,140</u></b>	<b>2.79 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>2,597,722</u></b>	<b><u>3,650,866</u></b>	<b>(28.85) %</b>
<b>Net Position, July 1</b>	<b><u>45,959,587</u></b>	<b><u>42,308,721</u></b>	<b>8.63 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 48,557,309</u></b>	<b><u>\$ 45,959,587</u></b>	<b>5.65 %</b>

**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.

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 12,672,882	\$ 12,385,576	2.32 %
Support services	6,687,156	6,234,871	7.25 %
Non-instructional	1,507,748	1,493,538	0.95 %
Sixteenth section	404,669	553,327	(26.87) %
Interest on long-term liabilities	200,346	221,828	(9.68) %
<b>Total expenses</b>	<b>\$ 21,472,801</b>	<b>\$ 20,889,140</b>	<b>2.79 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (10,855,137)	\$ (10,552,079)	2.87 %
Support services	(6,061,383)	(5,677,338)	6.76 %
Non-instructional	(29,403)	(29,441)	(0.13) %
Sixteenth section	(288,744)	(442,376)	(34.73) %
Interest on long-term liabilities	(200,346)	(221,828)	(9.68) %
<b>Total net (expense) revenue</b>	<b>\$ (17,435,013)</b>	<b>\$ (16,923,062)</b>	<b>3.03 %</b>

- Net cost of governmental activities (\$17,435,013 for 2013 and \$16,923,062 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$4,192,408 for 2013 and \$3,954,096 for 2012) and state and federal revenues (\$13,599,236 for 2013 and \$13,644,441 for 2012). In addition, there was \$2,129,683 and \$2,771,782 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$86,587 for 2013 and \$169,055 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 \$29,594,027, a decrease of \$2,113,890, which includes a decrease in inventory of \$2,754. \$5,108,648, or 17%, of the fund balance is unassigned, which represents the residual

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

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 \$24,485,379, or 83%, 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 \$767,714. The fund balance of Other Governmental Funds showed a decrease in the amount of \$14,252, which includes a decrease in inventory of \$2,754. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ 743,736
2005 Construction Fund	\$ (4,742,678)
Complex Construction Fund	\$ 8,681
Sixteenth Section Principal Fund	\$ 1,122,909

**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. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$32,466,639, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$4,842,370 from 2012, due primarily to the ongoing construction of the Loyd Star football field and new gymnasiums at Bogue Chitto and Enterprise schools, the purchase of land, the completion of improvements, and the purchase of various items of mobile equipment and furniture and equipment during the fiscal year. Total accumulated depreciation as of June 30, 2013, was \$9,057,946, and total depreciation expense for the year was \$737,578, resulting in total net capital assets of \$23,408,693.

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

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 437,901	\$ 389,901	12.31 %
Construction in Progress	5,383,354	823,704	553.55 %
Buildings	13,414,911	13,777,631	(2.63) %
Building improvements	992,630	1,043,962	(4.92) %
Improvements other than buildings	2,071,017	2,001,220	3.49 %
Mobile equipment	1,030,959	1,112,783	(7.35) %
Furniture and equipment	77,921	68,808	13.24 %
<b>Total</b>	<b>\$ 23,408,693</b>	<b>\$ 19,218,009</b>	<b>21.81 %</b>

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 \$4,398,129 in outstanding long-term debt, of which \$569,744 is due within one year. During the fiscal year, the District made principal payments totaling \$540,000 on outstanding long-term debt. The liability for compensated absences increased \$25,394 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,130,000	\$ 2,370,000	(10.13) %
Limited obligation bonds payable	2,110,000	2,410,000	(12.45) %
Compensated absences payable	158,129	132,735	19.13 %
<b>Total</b>	<b>\$ 4,398,129</b>	<b>\$ 4,912,735</b>	<b>(10.47) %</b>

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

## CURRENT ISSUES

The Lincoln 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.

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

**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 Lincoln County School District, P. O. Box 826, Brookhaven, MS 39602-0826.

## FINANCIAL STATEMENTS

**LINCOLN COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2013**

**Exhibit A**

		Governmental Activities
<b>Assets</b>		
Cash and cash equivalents	\$	15,735,883
Due from other governments		930,870
Other receivables, net		324,987
Inventories		32,235
Restricted assets		13,380,475
Capital assets, non-depreciable:		
Land		437,901
Construction in progress		5,383,354
Capital assets, net of accumulated depreciation:		
Buildings		13,414,911
Building improvements		992,630
Improvements other than buildings		2,071,017
Mobile equipment		1,030,959
Furniture and equipment		77,921
Total Assets		53,813,143
<b>Liabilities</b>		
Accounts payable and accrued liabilities		810,423
Interest payable on long-term liabilities		47,282
Long-term liabilities, due within one year:		
Capital related liabilities		565,000
Non-capital related liabilities		4,744
Long-term liabilities, due beyond one year:		
Capital related liabilities		3,675,000
Non-capital related liabilities		153,385
Total Liabilities		5,255,834
<b>Net Position</b>		
Net investment in capital assets		19,168,693
Restricted for:		
Expendable:		
School-based activities		3,723,198
Debt service		358,690
Ad Valorem		190,004
Forestry improvements		272,658
Unemployment benefits		61,005
Non-expendable:		
Sixteenth section		13,603,000
Unrestricted		11,180,061
Total Net Position	\$	48,557,309

LINCOLN COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 12,672,882	\$ 363,745	\$ 1,454,000	\$ -		\$ (10,855,137)
Support services	6,687,156	3,805	621,968	-		(6,061,383)
Non-instructional	1,507,748	481,408	996,937	-		(29,403)
Sixteenth section	404,669	115,925	-	-		(288,744)
Interest on long-term liabilities	200,346	-	-	-		(200,346)
<b>Total Governmental Activities</b>	<b>\$ 21,472,801</b>	<b>\$ 964,883</b>	<b>\$ 3,072,905</b>	<b>\$ -</b>		<b>\$ (17,435,013)</b>

General Revenues:

Taxes:

General purpose levies 3,848,154  
 Debt purpose levies 344,254

Unrestricted grants and contributions:

State 13,509,946  
 Federal 89,290  
 Unrestricted investment earnings 86,587  
 Sixteenth section sources 2,129,683  
 Other 24,821

Total General Revenues 20,032,735

Change in Net Position 2,597,722

Net Position - Beginning 45,959,587

Net Position - Ending \$ 48,557,309

**LINCOLN COUNTY SCHOOL DISTRICT**  
Governmental Funds

Exhibit C

Balance Sheet  
June 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	
<b>Assets</b>						
Cash and cash equivalents	\$ 6,517,481	\$ 3,165,222	\$ 1,914,842	\$ 3,223,738	\$ 13,203,390	\$ 28,939,273
Investments	-	-	-	-	-	177,085
Due from other governments	344,767	2,560	-	-	206,835	930,802
Other receivables, net	400	53,719	-	-	264,521	324,987
Due from other funds	134,360	-	-	-	-	134,360
Inventories	-	-	-	-	-	32,235
<b>Total assets</b>	<b>\$ 6,997,008</b>	<b>\$ 3,221,501</b>	<b>\$ 1,914,842</b>	<b>\$ 3,223,738</b>	<b>\$ 13,674,746</b>	<b>\$ 30,538,742</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 67,909	\$ 97,018	\$ 539,485	\$ -	\$ 50,241	\$ 810,423
Due to other funds	-	-	-	-	-	134,292
<b>Total Liabilities</b>	<b>67,909</b>	<b>97,018</b>	<b>539,485</b>	<b>-</b>	<b>50,241</b>	<b>944,715</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	-	-	-	-	-	32,235
Permanent fund principal	-	-	-	-	13,603,000	13,603,000
<b>Restricted:</b>						
Debt service	-	-	-	-	-	405,972
Ad Valorem	190,004	-	-	-	-	190,004
Forestry improvement purposes	-	-	-	-	-	272,658
Unemployment benefits	-	-	-	-	-	61,005
Food service	-	-	-	-	-	296,682
Sixteenth section interest funds	-	3,124,483	-	-	-	3,124,483
Other purposes	-	-	-	-	21,505	248,293
<b>Committed:</b>						
Textbooks	87,415	-	-	-	-	87,415
Daycare	21,429	-	-	-	-	21,429
Repair and renovation	1,330,084	-	-	-	-	1,330,084
Capital improvements	-	-	1,375,357	3,223,738	-	4,599,095
<b>Assigned:</b>						
Activity funds	191,519	-	-	-	-	191,519
<b>Unassigned</b>	<b>5,108,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,108,648</b>
<b>Total Fund Balances</b>	<b>6,929,099</b>	<b>3,124,483</b>	<b>1,375,357</b>	<b>3,223,738</b>	<b>13,624,505</b>	<b>29,594,027</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,997,008</b>	<b>\$ 3,221,501</b>	<b>\$ 1,914,842</b>	<b>\$ 3,223,738</b>	<b>\$ 13,674,746</b>	<b>\$ 30,538,742</b>

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

**LINCOLN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 29,594,027

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

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

Land	\$	437,901	
Construction in progress		5,383,354	
Buildings		19,019,016	
Building improvements		1,283,300	
Improvements other than building		2,810,745	
Mobile equipment		2,823,151	
Furniture and equipment		709,172	
Accumulated depreciator		<u>(9,057,946)</u>	23,408,693

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

General obligation bond:		(2,130,000)	
Limited obligation bond:		(2,110,000)	
Compensated absences		(158,129)	
Accrued interest payable		<u>(47,282)</u>	(4,445,411)

**Net position of governmental activities** \$ 48,557,309

**LINCOLN COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Exhibit D**

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

	Major Funds						Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>							
Local sources	\$ 4,283,147	\$ -	\$ 13,344	\$ 8,681	\$ -	\$ 800,146	\$ 5,105,318
State sources	12,986,843	-	-	-	-	986,054	13,972,897
Federal sources	89,290	-	-	-	-	2,609,954	2,699,244
Sixteenth section sources	-	777,571	-	-	1,395,020	116,668	2,289,259
Total Revenues	17,359,280	777,571	13,344	8,681	1,395,020	4,512,822	24,066,718
<b>Expenditures:</b>							
Instruction	10,455,752	-	-	-	-	1,773,289	12,229,041
Support services	5,910,142	-	7,500	-	-	628,323	6,545,965
Nominstructional services	46,043	-	-	-	-	1,412,751	1,458,794
Sixteenth section	16,722	78,416	-	-	218,421	91,110	404,669
Facilities acquisition and construction	48,000	-	4,748,522	-	-	-	4,796,522
Debt service:							
Principal	-	-	-	-	-	540,000	540,000
Interest	-	-	-	-	-	204,418	204,418
Other	-	-	-	-	-	2,250	2,250
Total Expenditures	16,476,659	78,416	4,756,022	-	218,421	4,652,141	26,181,659
Excess (Deficiency) of Revenues over (under) Expenditures	882,621	699,155	(4,742,678)	8,681	1,176,599	(139,319)	(2,114,941)
<b>Other Financing Sources (Uses):</b>							
Insurance recovery	-	-	-	-	-	3,805	3,805
Operating transfers in	142,680	53,690	-	-	-	257,587	453,957
Operating transfers out	(257,587)	(9,109)	-	-	(53,690)	(133,571)	(453,957)
Total Other Financing Sources (Uses)	(114,907)	44,581	-	-	(53,690)	127,821	3,805
Net Change in Fund Balances	767,714	743,736	(4,742,678)	8,681	1,122,909	(11,498)	(2,111,136)
Fund Balances:							
July 1, 2012	6,161,385	2,380,747	6,118,035	3,215,057	12,501,596	1,331,097	31,707,917
Increase (Decrease) in inventory	-	-	-	-	-	(2,754)	(2,754)
June 30, 2013	\$ 6,929,099	\$ 3,124,483	\$ 1,375,357	\$ 3,223,738	\$ 13,624,505	\$ 1,316,845	\$ 29,594,027

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

**LINCOLN COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**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**

**Net change in fund balances - total governmental funds** **\$ (2,111,136)**

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

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

Capital outlay	\$ 4,942,223	
Depreciation expense	<u>(737,578)</u>	4,204,645

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (13,961)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	540,000	
Accrued interest payable	<u>6,322</u>	546,322

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(25,394)	
Change in inventory	<u>(2,754)</u>	(28,148)

**Change in net position of governmental activities** **\$ 2,597,722**

LINCOLN COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2013

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 699,352
Total Assets	<u>\$ 699,352</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 649,516
Due to other funds	68
Due to student clubs	49,768
Total Liabilities	<u>\$ 699,352</u>

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

## **Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

### **Note 1 - Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

#### **A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

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

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

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

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

## Lincoln County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

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

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

2005 Construction Fund - This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund.

Complex Construction Fund - This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund and Sixteenth Section Interest Fund.

Sixteenth Section Principal Fund - This permanent fund is used to account for the sale of nonrenewable resources (oil, gas, gravel, sand, etc.) on sixteenth section

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

lands. The use of the fund is limited to providing advances to the General Fund or Capital Projects Fund to finance capital expenditures. State law requires any funds on hand to be invested. Interest income may be transferred to the General 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:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and do not involve measurement of results of operations.

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 Project 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.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

### 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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

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.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bonds sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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.

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences**

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

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

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

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

## Lincoln County School District

### Notes to the Financial Statements For the Year Ended June 30, 2013

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

#### 9. Fund Balances

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

Governmental fund balance is classified as nonspendable, restricted, 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 a resolution approved by the School Board.

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

*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

## **Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of total budgeted revenue in the District Maintenance Fund. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

### **Note 2 - Cash and Cash Equivalents, 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 districts' 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 deposits 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

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

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 \$28,939,273 and \$699,352, 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. As of June 30, 2013, none of the district’s bank balance of \$30,145,493 was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Federal U.S Treasury Cash Reserves			
Money Market Mutual Funds	AAAm-g	Less than one year	\$ 177,085

*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

**Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

investment policy that would further limit its investment choices or one that addresses credit risk.

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

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

**Note 3 - Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Fiduciary Funds	\$ 68
	Other Governmental Funds	<u>134,292</u>
Total		<u>\$ 134,360</u>

The primary purpose of the inter-fund receivables and payables are to close out the federal programs at year end. All interfund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sixteenth Section Interest Fund	\$ 9,109
	Other Governmental Funds	133,571
Sixteenth Section Interest Fund	Sixteenth Section Principal Fund	53,690
Other Governmental Funds	General Fund	<u>257,587</u>
Total		<u>\$ 453,957</u>

The primary purpose of the interfund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

### Note 4 - Restricted Assets

The restricted assets represent the cash balance totaling \$13,203,390, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance totaling \$177,085, MAEP Limited Obligation Bond Fund.

### Note 5- Capital Assets

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

	Balance 7-1-2012	Additions	Retirements	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>				
Land	\$ 389,901	48,000		437,901
Construction in progress	823,704	4,559,650		5,383,354
Total non-depreciable capital assets	<u>1,213,605</u>	<u>4,607,650</u>	<u>0</u>	<u>5,821,255</u>
<u>Depreciable capital assets:</u>				
Buildings	19,019,016			19,019,016
Building improvements	1,283,300			1,283,300
Improvements other than buildings	2,671,632	188,872	49,759	2,810,745
Mobile equipment	2,735,993	97,248	10,090	2,823,151
Furniture and equipment	700,723	48,453	40,004	709,172
Total depreciable capital assets	<u>26,410,664</u>	<u>334,573</u>	<u>99,853</u>	<u>26,645,384</u>
<u>Less accumulated depreciation for:</u>				
Buildings	5,241,385	362,720		5,604,105
Building improvements	239,338	51,332		290,670
Improvements other than buildings	670,413	109,122	39,807	739,728
Mobile equipment	1,623,209	178,064	9,081	1,792,192
Furniture and equipment	631,915	36,340	37,004	631,251
Total accumulated depreciation	<u>8,406,260</u>	<u>737,578</u>	<u>85,892</u>	<u>9,057,946</u>
Total depreciable capital assets, net	<u>18,004,404</u>	<u>(403,005)</u>	<u>13,961</u>	<u>17,587,438</u>
Governmental activities capital assets, net	<u>\$ 19,218,009</u>	<u>4,204,645</u>	<u>13,961</u>	<u>23,408,693</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 452,407
Support services	240,241
Non-instructional	44,930
Total depreciation expense	<u>\$ 737,578</u>

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Loyd Star Football Field	\$ 362,286	
Bogue Chitto Gym	2,538,240	133,903
Enterprise Gym	2,482,828	145,739
Total	<u>\$ 5,383,354</u>	<u>279,642</u>

Construction projects included in governmental activities are funded with General Funds.

### Note 6 - Long-term liabilities

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

	Balance 7-1-2012	Additions	Reductions	Balance 06-30-2012	Amounts due within one year
A. General obligation bonds payable	\$ 2,370,000		240,000	2,130,000	255,000
B. Limited obligation bonds payable	2,410,000		300,000	2,110,000	310,000
C. Compensated absences payable	<u>132,735</u>	25,394		<u>158,129</u>	<u>4,744</u>
Total	<u>\$ 4,912,735</u>	<u>25,394</u>	<u>540,000</u>	<u>4,398,129</u>	<u>569,744</u>

#### A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds	3.25-4.6%	12-01-02	06-01-20	\$ <u>3,800,000</u>	<u>2,130,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 255,000	92,268	347,268
2015	270,000	82,322	352,322
2016	290,000	71,522	361,522
2017	305,000	59,560	364,560
2018	320,000	46,140	366,140
2019 - 2020	<u>690,000</u>	<u>48,070</u>	<u>738,070</u>
Total	<u>\$ 2,130,000</u>	<u>399,882</u>	<u>2,529,882</u>

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

This debt will be retired from the 2002 Bond and Interest Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 3.5% of property assessments as of October 1, 2012.

### B. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvements Refunding Bonds, Series 1998	4.2-6%	03-01-98	02-01-18	\$ <u>5,200,000</u>	<u>2,110,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 310,000	89,150	399,150
2015	325,000	74,545	399,545
2016	340,000	59,250	399,250
2017	355,000	43,265	398,265
2018	780,000	26,663	806,663
Total	\$ <u>2,110,000</u>	<u>292,873</u>	<u>2,402,873</u>

This debt will be retired from the MAEP Long Term Pledge Fund.

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

### C. Compensated absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

absences will be paid from the fund from which the employees' salaries were paid.

### Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating Leases:

The school district has several operating leases for the following:

1. Twenty two copiers
2. One Pitney Bowes desktop mailing system

Lease expenditures for the year ended June 30, 2013, amounted to \$30,000.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2014	\$	35,670
2015		33,466
Total	\$	<u>69,136</u>

### Note 8 - Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate 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

## Lincoln County School District

Notes to the Financial Statements  
For the Year Ended June 30, 2013

to PERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$1,619,574, \$1,389,084, and \$1,321,045, respectively, which equaled the required contributions for each year.

### Note 9 - Risk Management

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

### Note 10 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and 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 users 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	\$	102,812
2015		91,068
2016		62,629
2017		58,050
2018		56,244
2019 - 2023		144,598
2024 - 2028		84,101
2029 - 2033		79,301
2034 - 2038		32,747
Total	\$	<u>711,550</u>

## **Lincoln County School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2013

### **Note 11 - Contingencies**

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

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

### **Note 12 - Insurance Loss Recoveries**

The Lincoln County School District received \$3,805 in insurance loss recoveries related to food loss due to freezer damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as revenues.

### **Note 13 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net position date require disclosure in the accompanying notes. Management of the Lincoln County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**LINCOLN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,056,655	\$ 4,119,061	\$ 4,283,147	\$ 62,406	\$ 164,086
State sources	13,171,548	12,956,085	12,986,843	(215,463)	30,758
Federal sources	85,500	85,500	89,290	-	3,790
Total Revenues	17,313,703	17,160,646	17,359,280	(153,057)	198,634
<b>Expenditures:</b>					
Instruction	11,193,695	11,176,078	10,455,752	17,617	720,326
Support services	7,678,061	7,671,433	5,910,142	6,628	1,761,291
Noninstructional services	64,018	69,562	46,043	(5,544)	23,519
Sixteenth section	16,585	16,796	16,722	(211)	74
Facilities acquisition and construction	1,000	48,000	48,000	(47,000)	-
Total Expenditures	18,953,359	18,981,869	16,476,659	(28,510)	2,505,210
Excess (Deficiency) of Revenues over (under) Expenditures	(1,639,656)	(1,821,223)	882,621	(181,567)	2,703,844
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,673,871	2,665,033	142,680	(8,838)	(2,522,353)
Operating transfers out	(2,514,029)	(2,228,598)	(257,587)	285,431	1,971,011
Total Other Financing Sources (Uses)	159,842	436,435	(114,907)	276,593	(551,342)
Net Change in Fund Balances	(1,479,814)	(1,384,788)	767,714	95,026	2,152,502
<b>Fund Balances:</b>					
July 1, 2012	5,043,998	6,161,385	6,161,385	1,117,387	-
June 30, 2013	\$ 3,564,184	\$ 4,776,597	\$ 6,929,099	\$ 1,212,413	\$ 2,152,502

**LINCOLN COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
Sixteenth Section Interest Fund  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 840,160	\$ 1,262,462	\$ 777,571	\$ 422,302	\$ (484,891)
Total Revenues	840,160	1,262,462	777,571	422,302	(484,891)
<b>Expenditures:</b>					
Sixteenth section	259,867	178,303	78,416	81,564	99,887
Total Expenditures	259,867	178,303	78,416	81,564	99,887
Excess (Deficiency) of Revenues over (under) Expenditures	580,293	1,084,159	699,155	503,866	(385,004)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	591,793	467,905	53,690	(123,888)	(414,215)
Operating transfers out	(1,289,850)	(2,266,351)	(9,109)	(976,501)	2,257,242
Total Other Financing Sources (Uses)	(698,057)	(1,798,446)	44,581	(1,100,389)	1,843,027
Net Change in Fund Balances	(117,764)	(714,287)	743,736	(596,523)	1,458,023
<b>Fund Balances:</b>					
July 1, 2012	1,731,536	2,380,747	2,380,747	649,211	-
June 30, 2013	\$ 1,613,772	\$ 1,666,460	\$ 3,124,483	\$ 52,688	\$ 1,458,023

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Lincoln County School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**LINCOLN 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
<b><u>U. S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 264,956
National School Lunch Program	10.555	839,521
Total Child Nutrition Cluster		1,104,477
Total passed-through the Mississippi Department of Education		1,104,477
<b>Total U.S. Department of Agriculture</b>		1,104,477
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The School and Libraries Program of The Universal Service Fund	32.xxx	69,461
<b>Total Federal Communications Commission</b>		69,461
<b><u>U. S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	591,200
Career and Technical Education - Basic Grants to States	84.048	30,096
Rural Education	84.358	61,641
Improving Teacher Quality State Grants	84.367	114,490
Subtotal		797,427
Special Education Cluster:		
Special Education - Grants to States	84.027	694,861
Special Education - Preschool Grants	84.173	13,191
Total Special Education Cluster		708,052
Total passed-through the Mississippi Department of Education		1,505,479
<b>Total U.S. Department of Education</b>		1,505,479
Total for All Federal Awards		\$ 2,679,417

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**LINCOLN COUNTY SCHOOL DISTRICT**

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 15,647,312	12,101,053	779,885	961,478	1,804,896
Other	10,534,347	1,457,876	242,160	34,373	8,799,938
Total	\$ <u>26,181,659</u>	<u>13,558,929</u>	<u>1,022,045</u>	<u>995,851</u>	<u>10,604,834</u>
Total number of students *	<u>2,883</u>				
Cost per student	\$ <u>9,081</u>	<u>4,703</u>	<u>355</u>	<u>345</u>	<u>3,678</u>

For purposes of this schedule, the following columnar descriptions are applicable:

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

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

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

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

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

OTHER INFORMATION

**LINCOLN COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
<b>Revenues:</b>				
Local sources	\$ 4,283,147	4,030,886	3,978,029	3,969,675
State sources	12,986,843	13,045,902	12,232,655	12,823,797
Federal sources	89,290	88,694	93,916	94,752
Total Revenues	<u>17,359,280</u>	<u>17,165,482</u>	<u>16,304,600</u>	<u>16,888,224</u>
<b>Expenditures:</b>				
Instruction	10,455,752	10,121,592	8,506,980	8,895,370
Support services	5,910,142	5,746,425	5,362,732	5,403,403
Noninstructional services	46,043	47,292	48,808	42,346
Sixteenth section	16,722	16,855	14,321	13,970
Facilities acquisition and construction	48,000			
Total Expenditures	<u>16,476,659</u>	<u>15,932,164</u>	<u>13,932,841</u>	<u>14,355,089</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>882,621</u>	<u>1,233,318</u>	<u>2,371,759</u>	<u>2,533,135</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries		2,996		
Sales of transportation equipment			7,668	
Sales of other equipment				700
Operating transfers in	142,680	115,917	60,695	513,934
Operating transfers out	(257,587)	(1,258,928)	(2,334,009)	(1,534,809)
Total Other Financing Sources (Uses)	<u>(114,907)</u>	<u>(1,140,015)</u>	<u>(2,265,646)</u>	<u>(1,020,175)</u>
Net Change in Fund Balances	<u>767,714</u>	<u>93,303</u>	<u>106,113</u>	<u>1,512,960</u>
<b>Fund Balances:</b>				
July 1,	<u>6,161,385</u>	<u>6,068,082</u>	<u>5,961,969</u>	<u>4,449,009</u>
June 30,	<u>\$ 6,929,099</u>	<u>6,161,385</u>	<u>6,068,082</u>	<u>5,961,969</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**LINCOLN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 5,105,318	4,903,852	4,843,711	4,888,524
State sources	13,972,897	14,034,837	13,225,963	13,546,088
Federal sources	2,699,244	2,637,954	4,340,258	3,866,642
Sixteenth section sources	2,289,259	2,960,367	2,165,638	3,591,413
Total Revenues	<u>24,066,718</u>	<u>24,537,010</u>	<u>24,575,570</u>	<u>25,892,667</u>
<b>Expenditures:</b>				
Instruction	12,229,041	11,930,985	12,019,575	11,932,218
Support services	6,545,965	6,316,005	6,023,436	5,951,300
Noninstructional services	1,458,794	1,432,309	1,460,471	1,384,805
Sixteenth section	404,669	553,327	456,385	491,609
Facilities acquisition and construction	4,796,522	711,113	784,986	349,478
Debt service:				
Principal	540,000	515,000	555,000	525,000
Interest	204,418	226,215	250,317	272,684
Other	2,250	1,617	2,328	2,352
Total Expenditures	<u>26,181,659</u>	<u>21,686,571</u>	<u>21,552,498</u>	<u>20,909,446</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,114,941)</u>	<u>2,850,439</u>	<u>3,023,072</u>	<u>4,983,221</u>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	3,805	2,996		
Sale of transportation equipment			7,668	
Sale of other property				700
Operating transfers in	453,957	1,997,491	2,560,171	4,945,495
Operating transfers out	<u>(453,957)</u>	<u>(1,997,491)</u>	<u>(2,560,171)</u>	<u>(4,945,495)</u>
Total Other Financing Sources (Uses)	<u>3,805</u>	<u>2,996</u>	<u>7,668</u>	<u>700</u>
Net Change in Fund Balances	<u>(2,111,136)</u>	<u>2,853,435</u>	<u>3,030,740</u>	<u>4,983,921</u>
<b>Fund Balances:</b>				
July 1,	31,707,917	28,869,341	25,825,860	20,845,413
Increase (Decrease) in inventory	<u>(2,754)</u>	<u>(14,859)</u>	<u>12,741</u>	<u>(3,474)</u>
June 30,	<u>\$ 29,594,027</u>	<u>31,707,917</u>	<u>28,869,341</u>	<u>25,825,860</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Lincoln County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln 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 Lincoln County school District's basic financial statements, and have issued our report thereon dated November 21, 2013.

**Internal Control Over Financial Reporting**

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 21, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board  
Lincoln County School District

**Report on Compliance for Each Major Federal Program**

We have audited Lincoln 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 school district's major federal programs for the year ended June 30, 2013. The Lincoln County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control Over Compliance**

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

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

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 21, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Lincoln County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County School District as of and for the year ended June 30, 2013, which collectively comprise Lincoln County School District's basic financial statements and have issued our report thereon dated November 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$5,626 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 21, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Lincoln County School District**

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

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

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

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