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LAUDERDALE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

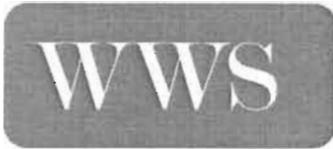
LAUDERDALE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS

J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CP
Perry C. Rackley, Jr., CP

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lauderdale County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Lauderdale County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6-15 and 43-49 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 Lauderdale County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 accompanying supplementary information mentioned above 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 March 17, 2015, on our consideration of the Lauderdale County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lauderdale County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
March 17, 2015

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The following discussion and analysis of Lauderdale County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2014. 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 2014 decreased \$2,007,899, including a prior period adjustment of \$246,301, which represents a 5% decrease from fiscal year 2013. Total net position for 2013 decreased \$2,356,885, including a prior period adjustment of (\$2,463), which represents a 6% decrease from fiscal year 2012.
- General revenues amounted to \$46,036,552 and \$43,496,186, or 84% and 82% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,655,126, or 16% of total revenues for 2014, and \$9,314,051, or 18 % of total revenues for 2013.
- The District had \$56,945,878 and \$55,164,659 in expenses for fiscal years 2014 and 2013; only \$8,655,126 for 2014 and \$9,314,051 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$46,036,552 for 2014 and \$43,496,186 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$46,064,741 in revenues and \$46,833,206 in expenditures for 2014, and \$43,643,666 in revenues and \$44,782,545 in expenditures in 2013. The General Fund's fund balance decreased by \$2,653,531, which includes a prior period adjustment of (\$16,696), from 2013 to 2014, and decreased by \$2,864,034, which includes a prior period adjustment of (\$2,463), from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$830,615 for 2014 and decreased by \$524,997 for 2013. The decrease for 2014 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$1,116,658 for 2014 and decreased by \$669,015 for 2013. This decrease for 2014 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$44,110 for 2014 and decreased by \$12,104 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$34,989,960 as of June 30, 2014.

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	Percentage Change
Current assets	\$ 15,924,272	\$ 19,854,453	-19.79 %
Restricted assets	550,752	489,708	12.47 %
Capital assets, net	26,343,019	27,173,634	-3.06 %
Total assets	<u>42,818,043</u>	<u>47,517,795</u>	-9.89 %
Current liabilities	291,514	1,866,709	-84.38 %
Long-term debt outstanding	7,536,569	8,653,227	-12.90 %
Total liabilities	<u>7,828,083</u>	<u>10,519,936</u>	-25.59 %
Net position:			
Net investment in capital assets	20,048,019	19,805,367	1.23 %
Restricted	5,743,830	5,379,896	6.76 %
Unrestricted	9,198,111	11,812,596	-22.13 %
Total net position	<u>\$ 34,989,960</u>	<u>\$ 36,997,859</u>	-5.43 %

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

- Decrease in net capital assets in the amount of \$830,615.
- The principal retirement of \$1,149,657 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$54,691,678 and \$52,810,237, respectively. The total cost of all programs and services was \$56,945,878 for 2014 and \$55,164,659 for 2013.

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,393,484	\$ 1,403,041	(0.68) %
Operating grants and contributions	7,261,642	7,911,010	(8.21) %
General revenues:			
Property taxes	13,176,698	12,154,573	8.41 %
Grants and contributions not restricted	31,928,715	30,543,219	4.54 %
Investment earnings	330,039	395,137	(16.47) %
Sixteenth section sources	457,062	320,576	42.58 %
Other	144,038	82,681	74.21 %
Total revenues	54,691,678	52,810,237	3.56 %
Expenses:			
Instruction	32,835,450	32,031,625	2.51 %
Support services	20,649,727	19,842,268	4.07 %
Non-instructional	2,889,825	2,882,461	0.26 %
Sixteenth section	199,063	179,753	10.74 %
Interest on long-term liabilities	371,813	228,552	62.68 %
Total expenses	56,945,878	55,164,659	3.23 %
Increase (Decrease) in net position	(2,254,200)	(2,354,422)	4.26 %
Net Position, July 1, as previously reported	36,997,859	39,354,744	(5.99) %
Prior Period Adjustment	246,301	(2,463)	10,100.04 %
Net Position, July 1, as restated	37,244,160	39,352,281	(5.36) %
Net Position, June 30	\$ 34,989,960	\$ 36,997,859	(5.43) %

Governmental activities

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 32,835,450	\$ 32,031,625	2.51 %
Support services	20,649,727	19,842,268	4.07 %
Non-instructional	2,889,825	2,882,461	0.26 %
Sixteenth section	199,063	179,753	10.74 %
Interest on long-term liabilities	371,813	228,552	62.68 %
Total expenses	<u>\$ 56,945,878</u>	<u>\$ 55,164,659</u>	3.23 %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (28,884,886)	\$ (27,556,343)	4.82 %
Support services	(18,988,166)	(18,044,622)	5.23 %
Non-instructional	126,282	129,969	(2.84) %
Sixteenth section	(172,169)	(151,060)	13.97 %
Interest on long-term liabilities	(371,813)	(228,552)	62.68 %
Total net (expense) revenue	<u>\$ (48,290,752)</u>	<u>\$ (45,850,608)</u>	5.32 %

- Net cost of governmental activities (\$48,290,752 for 2014 and \$45,850,608 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$13,176,698 for 2014 and \$12,154,573 for 2013) and state and federal revenues (\$31,928,715 for 2014 and \$30,543,219 for 2013). In addition, there was \$457,062 and \$320,576 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$330,039 for 2014 and \$395,137 for 2013.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$16,216,651, a decrease of \$2,097,345, which includes a prior period adjustment of \$217,859 and a decrease in inventory of \$11,726. \$10,070,045 or 62% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,146,606 or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2,653,531, which includes a prior period adjustment of (\$16,696). The fund balance of Other Governmental Funds showed an increase in the amount of \$546,500, which includes a prior period adjustment of \$234,555 and a decrease in reserve for inventory of \$11,726. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Extended School Year Fund	\$ 9,686
Title I-A Basic Fund	no increase or decrease
EHA, Part B Grant Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$44,143,553, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$234,563 from 2013. Total accumulated depreciation as of June 30, 2014, was \$17,800,534, and total depreciation expense for the year was \$1,096,784, resulting in total net capital assets of \$26,343,019.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 482,482	\$ 482,482	0.00 %
Construction in Progress		522,851	(100.00) %
Buildings	22,313,101	22,965,875	(2.84) %
Improvements other than buildings	1,712,263	1,279,195	33.85 %
Mobile equipment	1,586,286	1,675,243	(5.31) %
Furniture and equipment	248,887	247,988	0.36 %
Total	\$ 26,343,019	\$ 27,173,634	(3.06) %

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

LAUDERDALE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Debt Administration. At June 30, 2014, the District had \$7,536,569 in outstanding long-term debt, of which \$812,254 is due within one year. The liability for compensated absences increased \$44,110 from the prior year.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 4,795,000	\$ 5,780,000	(17.04) %
Obligations under energy efficiency leases	704,689	880,457	(19.96) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	536,880	492,770	8.95 %
Total	<u>\$ 7,536,569</u>	<u>\$ 8,653,227</u>	(12.90) %

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

CURRENT ISSUES

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

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

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

Enrollment for the 2013-2014 year decreased 6% to 6,043 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

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LAUDERDALE COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,460,354
Due from other governments	1,335,332
Other receivables, net	59,808
Inventories	68,778
Restricted assets	550,752
Capital assets, non-depreciable:	
Land	482,482
Capital assets, net of accumulated depreciation:	
Buildings	22,313,101
Improvements other than buildings	1,712,263
Mobile equipment	1,586,286
Furniture and equipment	248,887
Total Assets	42,818,043
Liabilities	
Accounts payable and accrued liabilities	252,016
Unearned Revenue	6,357
Interest payable on long-term liabilities	33,141
Long-term liabilities, due within one year:	
Capital related liabilities	650,000
Non-capital related liabilities	162,254
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,645,000
Non-capital related liabilities	1,079,315
Total Liabilities	7,828,083
Net Position	
Invested in capital assets, net of related debt	20,048,019
Restricted for:	
Expendable:	
School-based activities	3,605,490
Debt service	1,221,765
Forestry improvements	400,468
Unemployment benefits	127,210
Non-expendable:	
Sixteenth section	388,897
Unrestricted	9,198,111
Total Net Position	\$ 34,989,960

LAUDERDALE COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 32,835,450	\$ 547,791	\$ 3,402,773		\$ (28,884,886)
Support services	20,649,727	49,523	1,612,038		(18,988,166)
Non-instructional	2,889,825	769,276	2,246,831		126,282
Sixteenth section	199,063	26,894			(172,169)
Interest on long-term liabilities	371,813				(371,813)
Total Governmental Activities	\$ 56,945,878	\$ 1,393,484	\$ 7,261,642		\$ (48,290,752)
General Revenues:					
Taxes:					
					12,409,232
					767,466
Unrestricted grants and contributions:					
					31,846,229
					82,486
					330,039
					457,062
					144,038
					<u>46,036,552</u>
					<u>(2,254,200)</u>
					36,997,859
					<u>246,301</u>
					37,244,160
					<u>\$ 34,989,960</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Extended School Year Fund	Title I-A Basic Fund	EHA, Part B Grant Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 9,222,705	\$ 121,329	\$ 17,729		\$ 5,487,488	\$ 14,849,251
Cash with fiscal agents					1,878	1,878
Investments					159,977	159,977
Due from other governments	617,305	135,861	179,690	196,249	206,227	1,335,332
Other receivables, net	1,760				58,048	59,808
Due from other funds	746,481					746,481
Inventories					68,778	68,778
Total assets	10,588,251	257,190	197,419	196,249	5,982,396	17,221,505
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 148,571	\$ 10,243			\$ 93,202	\$ 252,016
Due to other funds		237,261	197,419	196,249	115,552	746,481
Unearned revenue					6,357	6,357
Total Liabilities	148,571	247,504	197,419	196,249	215,111	1,004,854
Nonspendable:						
Inventory					68,778	68,778
Permanent fund principal					388,897	388,897
Restricted:						
Debt service					1,254,906	1,254,906
Forestry improvement purposes					400,468	400,468
Grant activities		9,686			1,492,406	1,502,092
Unemployment benefits					127,210	127,210
16th section interest					2,034,620	2,034,620
Assigned:						
Activity funds	369,635					369,635
Unassigned	10,070,045					10,070,045
Total Fund Balances	10,439,680	9,686			5,767,285	16,216,651
Total Liabilities and Fund Balances	\$ 10,588,251	\$ 257,190	\$ 197,419	\$ 196,249	\$ 5,982,396	\$ 17,221,505

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Exhibit C-1

Total fund balances for governmental funds \$ 16,216,651

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	\$ 482,482	
Buildings	32,354,409	
Improvements other than buildings	3,109,620	
Mobile equipment	7,008,743	
Furniture and equipment	1,188,299	
Accumulated depreciation	<u>(17,800,534)</u>	26,343,019

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

Limited obligation bonds	(1,500,000)	
Notes payable	(4,795,000)	
Obligations under energy efficiency lease	(704,689)	
Compensated absences	(536,880)	
Accrued interest payable	<u>(33,141)</u>	(7,569,710)

Net position of governmental activities \$ 34,989,960

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014**

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Extended School Year Fund	Title I-A Basic Fund	EHA, Part B Grant Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 13,359,576		\$ 576		\$ 1,620,845	\$ 14,980,997
State sources	32,592,862	182,337			892,788	33,667,987
Federal sources	112,303		982,237	1,502,537	2,925,293	5,522,370
Sixteenth section sources					519,890	519,890
Total Revenues	46,064,741	182,337	982,813	1,502,537	5,958,816	54,691,244
Expenditures:						
Instruction	27,649,128	154,983	664,229	891,154	2,685,605	32,045,099
Support services	18,982,108	71,550	286,808	567,040	643,693	20,551,199
Noninstructional services	200		2,173		2,884,309	2,886,682
Sixteenth section					199,063	199,063
Debt service:						
Principal	164,657				985,000	1,149,657
Interest	37,113				134,387	171,500
Other					3,714	3,714
Total Expenditures	46,833,206	226,533	953,210	1,458,194	7,535,771	57,006,914
Excess (Deficiency) of Revenues over (under) Expenditures	(768,465)	(44,196)	29,603	44,343	(1,576,955)	(2,315,670)
Other Financing Sources (Uses):						
Insurance recovery	12,192					12,192
Payment held by escrow agent					55,000	55,000
Operating transfers in	86,173	53,882			1,912,853	2,052,908
Operating transfers out	(1,966,735)		(29,603)	(44,343)	(12,227)	(2,052,908)
Payment to escrow agent					(55,000)	(55,000)
Total Other Financing Sources (Uses)	(1,868,370)	53,882	(29,603)	(44,343)	1,900,626	12,192
Net Change in Fund Balances	(2,636,835)	9,686			323,671	(2,303,478)
Fund Balances:						
July 1, 2013, as previously reported	13,093,211				5,220,785	18,313,996
Prior period adjustments	(16,696)				234,555	217,859
July 1, 2013, as restated	13,076,515				5,455,340	18,531,855
Increase (Decrease) in reserve for inventory					(11,726)	(11,726)
June 30, 2014	\$ 10,439,680	\$ 9,686			\$ 5,767,285	\$ 16,216,651

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

LAUDERDALE 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, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (2,303,478)**

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	\$ 253,706	
Depreciation expense	<u>(1,096,784)</u>	(843,078)

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. (4,868)

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 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	1,149,657	
Accrued interest payable	<u>(16,581)</u>	1,133,076

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	(44,110)	
Change in inventory reserve	(11,726)	
Decrease in deferred debt issuance costs	(92,612)	
Decrease in premium on debt issuance	88,267	
Decrease in prepaid interest	(175,672)	
Rounding	<u>1</u>	(235,852)

Change in net position of governmental activities **\$ (2,254,200)**

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2014

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,681	\$ 2,417,408
Total Assets	<u>1,681</u>	<u>\$ 2,417,408</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 2,046,650
Due to student clubs		370,758
Total Liabilities		<u>\$ 2,417,408</u>
Net Position		
Reserved for endowments	<u>1,681</u>	
Total Net Position	<u>\$ 1,681</u>	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 40
Total Additions	<u>40</u>
Deductions	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>(960)</u>
Net Position	
July 1, 2013	<u>2,641</u>
June 30, 2014	<u>\$ 1,681</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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.

Extended School Year Fund – This special revenue fund is used to account for the state revenue received and expenditures incurred related to the grant from the state for children with disabilities.

Title I-A Basic Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs.

EHA, Part B Grant Fund – A special revenue fund, this fund accounts for expenditures and related revenues associated with a Federal award that provides supplemental services for special needs students.

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

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

The District's fiduciary funds include the following:

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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 not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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 leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities and Bond Discounts/Premiums

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

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

9. Fund Balances

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2014

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

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

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

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

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

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,849,251 and \$2,419,089, 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, 2014, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,878.

Investments

As of June 30, 2014, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury Securities	AAA	more than one year	\$ 159,977
Total			<u>\$ 159,977</u>

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2014, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Treasury Securities	\$ 159,977	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Extended School Year Fund	\$ 237,261
	Title I-A Basic Fund	197,419
	EHA, Part B Grant Fund	196,249
	Other governmental funds	115,552
Total		<u>\$ 746,481</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Extended School Year Fund	\$ 53,882
	Other governmental funds	1,912,853
Title I-A Basic Fund	General Fund	29,603
EHA, Part B Grant Fund	General Fund	44,343
Other governmental funds	General Fund	12,227
Total		<u>\$ 2,052,908</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$388,897, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$1,878 and \$159,977, respectively, of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2013	Increases	Decreases	Adjustment	Balance 6/30/2014
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 482,482				\$ 482,482
Construction-in-progress	522,851	7,390		(530,241)	
Total non-depreciable capital assets	1,005,333	7,390		(530,241)	482,482
<u>Depreciable capital assets:</u>					
Buildings	32,354,409				32,354,409
Improvements other than buildings	2,552,289			557,331	3,109,620
Mobile equipment	6,841,953	177,013	16,168	5,945	7,008,743
Furniture and equipment	1,155,006	69,303	25,410	(10,600)	1,188,299
Total depreciable capital assets	42,903,657	246,316	41,578	552,676	43,661,071
<u>Less accumulated depreciation for:</u>					
Buildings	9,388,534	652,774			10,041,308
Improvements other than buildings	1,273,094	115,595		8,668	1,397,357
Mobile equipment	5,166,710	261,415	11,554	5,886	5,422,457
Furniture and equipment	907,018	67,000	25,156	(9,450)	939,412
Total accumulated depreciation	16,735,356	1,096,784	36,710	5,104	17,800,534
Total depreciable capital assets, net	26,168,301	(850,468)	4,868	547,572	25,860,537
Governmental activities capital assets, net	\$ 27,173,634	\$ (843,078)	\$ 4,868	\$ 17,331	\$ 26,343,019

Various adjustments were made during the year for completed construction and to correct prior period errors in fixed assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 784,744
Support services	285,543
Non-instructional	26,497
Total depreciation expense - Governmental activities	\$ 1,096,784

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

Note 6 – Long-term Liabilities

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

	Balance 7/1/2013	Additions	Reductions	Adjustment	Balance 6/30/2014	Amounts due within one year
A. Three mill notes payable	\$ 5,780,000	\$	\$ 985,000	\$	\$ 4,795,000	\$ 650,000
B. Obligations under energy efficiency leases	880,457		164,657	(11,111)	704,689	162,254
C. payable	1,500,000				1,500,000	
D. Compensated absences payable	492,770	44,110			536,880	
Total	\$ 8,653,227	\$ 44,110	\$ 1,149,657	\$ (11,111)	\$ 7,536,569	\$ 812,254

An adjustment was made to correct a prior period error in general long term debt.

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note payable	2- 2.25%	4/1/2013	4/1/2022	\$ 4,855,000	\$ 4,795,000
Total				\$ 4,855,000	\$ 4,795,000

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

Three mill notes payable issue of April 1, 2013:

Year Ending June 30	Principal	Interest	Total
2015	\$ 650,000	\$ 98,637	\$ 748,637
2016	665,000	85,637	750,637
2017	605,000	72,337	677,337
2018	620,000	60,237	680,237
2019	585,000	47,838	632,838
2020 – 2024	1,670,000	72,701	1,742,701
Total	\$ 4,795,000	\$ 437,387	\$ 5,232,387

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2013 is secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds (“EEF Funds”), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to secure the 2015-2024 maturities of the note. The note proceeds were used for building additions and renovations.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

B. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GE Capital Solutions Energy Efficiency Lease	4.67%	2/7/2003	2/7/2018	\$ 1,881,885	\$ 704,689
Total				<u>\$ 1,881,885</u>	<u>\$ 704,689</u>

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

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 162,254	\$ 27,033	\$ 189,287
2016	190,592	21,287	211,879
2017	205,418	12,070	217,488
2018	146,425	2,578	149,003
Total	<u>\$ 704,689</u>	<u>\$ 62,968</u>	<u>\$ 767,657</u>

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

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

The agreement authorized the borrowing of \$1,881,885 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

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

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

C. Qualified school construction bonds payable

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Note 7 – Other Commitments

Commitments under re-roofing and renovation contracts amount to \$4,500.

Operating leases:

The school district has several operating leases for the following:

1. Savin 8065 Digital Laser Copier
2. Toshiba High-Speed Digital Console Copier E-Studio 855
3. Toshiba E45 Digital Copier System
4. Toshiba Digital Plain Color Copier Model E-Studio 2500c
5. Toshiba E-453 CPM Digital Copiers
6. Kyocera 5501i Digital Copier
7. Ricoh Pro 907EX Digital Printing System

Lease expenditures for the year ended June 30, 2014, amounted to \$19,198.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2015	\$ 22,053
2016	20,174
2017	14,017
2018	13,790
2019	8,573
Total	<u>\$ 78,607</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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$4,956,369, \$4,443,244 and \$3,802,712, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2015	\$ 214,780
2016	216,268
2017	207,070
2018	199,761
2019	198,856
2020 – 2024	1,064,706
2025 – 2029	1,136,940
2030 – 2034	1,118,013
2035 – 2039	36,450
Total	<u>\$ 4,392,844</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Reduction due to repayment of excess federal funds received in prior years	\$ (16,696)
2. Increase due to sixteenth section revenue being recorded in incorrect year	234,555
3. Increase due to prior period errors in recording of capital assets	17,331
4. Increase due to prior period errors in general long term debt	11,111
Total	<u>\$ 246,301</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Fund	Explanation	Amount
General Fund	Repayment of excess funds from prior years	\$ (16,696)
Other governmental funds	Sixteenth section revenue recorded in incorrect year	234,555
Total		<u>\$ 217,859</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Qualified School Construction Bonds

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2014

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

Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$161,855. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2015	\$ 60,000
2016	80,000
2017	80,000
2018	140,000
2019	140,000
2020 – 2024	700,000
2025	140,000
Total	<u>\$ 1,340,000</u>

Note 14 - Insurance loss recoveries

The Lauderdale County School District received \$6,105 in insurance recoveries related to stolen property and \$6,087 in insurance loss recoveries related to mobile damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss		
<u>Recoveries</u>	<u>Percentage</u>	<u>Expense Function</u>
\$ 12,192	100%	Support services
<u>\$ 12,192</u>	<u>100%</u>	

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Lauderdale County School District evaluated the activity of the district through March 17, 2015 (the date the financial statements were available to be issued), and determined that there have not been any subsequent events that required disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 12,063,997	\$ 13,359,572	\$ 13,359,576	\$ 1,295,575	\$ 4
State sources	32,313,901	32,592,862	32,592,862	278,961	
Federal sources	225,000	112,303	112,303	(112,697)	
Total Revenues	44,602,898	46,064,737	46,064,741	1,461,839	4
Expenditures:					
Instruction	27,644,766	27,649,128	27,649,128	(4,362)	
Support services	18,447,877	18,982,109	18,982,108	(534,232)	1
Noninstructional services		200	200	(200)	
Facilities acquisition and construction	3,500,000			3,500,000	
Debt service:					
Principal	136,109	163,591	164,657	(27,482)	(1,066)
Interest	55,608	38,180	37,113	17,428	1,067
Total Expenditures	49,784,360	46,833,208	46,833,206	2,951,152	2
Excess (Deficiency) of Revenues over (under) Expenditures	(5,181,462)	(768,471)	(768,465)	4,412,991	6
Other Financing Sources (Uses):					
Insurance recovery	5,000	12,192	12,192	7,192	
Sale of transportation equipment	500			(500)	
Sale of other property	500			(500)	
Operating transfers in	5,649,498	8,073,978	86,173	2,424,480	(7,987,805)
Operating transfers out	(7,430,573)	(9,954,538)	(1,966,735)	(2,523,965)	7,987,803
Total Other Financing Sources (Uses)	(1,775,075)	(1,868,368)	(1,868,370)	(93,293)	(2)
Net Change in Fund Balances	(6,956,537)	(2,636,839)	(2,636,835)	4,319,698	4
Fund Balances:					
July 1, 2013, as previously reported	15,143,014	13,076,519	13,093,211	(2,066,495)	16,692
Prior period adjustments			(16,696)		(16,696)
July 1, 2013, as restated	15,143,014	13,076,519	13,076,515	(2,066,495)	(4)
June 30, 2014	\$ 8,186,477	\$ 10,439,680	\$ 10,439,680	\$ 2,253,203	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Extended School Year Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 65,000	\$ 182,337	\$ 182,337	\$ 117,337	
Total Revenues	65,000	182,337	182,337	117,337	
Expenditures:					
Instruction	24,609	154,983	154,983	(130,374)	
Support services	40,306	71,550	71,550	(31,244)	
Total Expenditures	64,915	226,533	226,533	(161,618)	
Excess (Deficiency) of Revenues over (under) Expenditures	85	(44,196)	(44,196)	(44,281)	
Other Financing Sources (Uses):					
Operating transfers in		53,882	53,882	53,882	
Total Other Financing Sources (Uses)		53,882	53,882	53,882	
Net Change in Fund Balances	85	9,686	9,686	9,601	
Fund Balances:					
July 1, 2013					
June 30, 2014	\$ 85	\$ 9,686	\$ 9,686	\$ 9,601	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	\$ 576	\$ 576	\$ 576	\$
Federal sources	1,140,531	982,238	982,237	(158,293)	(1)
Total Revenues	1,140,531	982,814	982,813	(157,717)	(1)
Expenditures:					
Instruction	1,790,286	664,229	664,229	1,126,057	
Support services	656,768	286,809	286,808	369,959	1
Noninstructional services	24,670	2,173	2,173	22,497	
Total Expenditures	2,471,724	953,211	953,210	1,518,513	1
Excess (Deficiency) of Revenues over (under) Expenditures	(1,331,193)	29,603	29,603	1,360,796	
Other Financing Sources (Uses):					
Operating transfers out	(26,825)	(29,603)	(29,603)	(2,778)	
Total Other Financing Sources (Uses)	(26,825)	(29,603)	(29,603)	(2,778)	
Net Change in Fund Balances	(1,358,018)			1,358,018	
Fund Balances:					
July 1, 2013					
June 30, 2014	\$ (1,358,018)			\$ 1,358,018	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
EHA, Part B Grant Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,447,717	\$ 1,502,537	\$ 1,502,537	\$	54,820
Sixteenth section sources					
Total Revenues	1,447,717	1,502,537	1,502,537		54,820
Expenditures:					
Instruction	890,979	891,154	891,154		(175)
Support services	755,974	567,040	567,040		188,934
Total Expenditures	1,646,953	1,458,194	1,458,194		188,759
Excess (Deficiency) of Revenues over (under) Expenditures	(199,236)	44,343	44,343		243,579
Other Financing Sources (Uses):					
Operating transfers out	(36,319)	(44,343)	(44,343)		(8,024)
Total Other Financing Sources (Uses)	(36,319)	(44,343)	(44,343)		(8,024)
Net Change in Fund Balances	(235,555)				235,555
Fund Balances:					
July 1, 2013	196,230				(196,230)
June 30, 2014	\$ (39,325)			\$	39,325

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

LAUDERDALE COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 582,319
National school lunch program	10.555	1,699,224
Summer food service program for children	10.559	19,683
Total child nutrition cluster		<u>2,301,226</u>
Total passed-through Mississippi Department of Education		<u>2,301,226</u>
Total U.S. Department of Agriculture		<u>2,301,226</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	56,555
Total U.S. Department of Defense		<u>56,555</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	82,486
Total Federal Communications Commission		<u>82,486</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	65,957
Improving teacher quality-State Grants	84.367	384,038
Title I grants to local educational agencies	84.010	982,238
Subtotal		<u>1,432,233</u>
Special education cluster:		
Special education - grants to states	84.027	1,502,537
Special education - preschool grants	84.173	28,903
Total special education cluster		<u>1,531,440</u>
Total passed-through Mississippi Department of Education		<u>2,963,673</u>
Total U.S. Department of Education		<u>2,963,673</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	8,505
Total passed-through Mississippi Department of Education		<u>8,505</u>
Total U.S. Department of Health and Human Services		<u>8,505</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially declared disasters)	97.036	29,817
Total passed-through Mississippi Emergency Management Agency		<u>29,817</u>
Total Department of Homeland Security		<u>29,817</u>
Total for All Federal Awards		<u>\$ 5,442,262</u>

NOTES TO SCHEDULE

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2014

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 42,800,983	33,377,473	1,166,651	3,058,024	5,198,835
Other	14,205,931	3,161,789	391,332	181,356	10,471,454
Total	\$ 57,006,914	36,539,262	1,557,983	3,239,380	15,670,289
Total number of students *	6,043				
Cost per student	\$ 9,434	6,047	258	536	2,593

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 function: Support Services - School Administration.

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

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

OTHER INFORMATION

LAUDERDALE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 13,359,576	\$ 12,399,233	\$ 11,781,892	\$ 11,739,616
State sources	32,592,862	30,925,863	30,735,443	28,268,752
Federal sources	112,303	318,570	239,160	224,142
Sixteenth section sources			586,433	
Total Revenues	46,064,741	43,643,666	43,342,928	40,232,510
Expenditures:				
Instruction	27,649,128	26,867,847	24,837,331	22,144,577
Support services	18,982,108	17,717,875	14,525,675	14,434,610
Noninstructional services	200		1,058	4,884
Sixteenth section			189,033	
Debt service:				
Principal	164,657	149,015	137,075	125,951
Interest	37,113	47,808	55,033	61,674
Total Expenditures	46,833,206	44,782,545	39,745,205	36,771,696
Excess (Deficiency) of Revenues over (under) Expenditures	(768,465)	(1,138,879)	3,597,723	3,460,814
Other Financing Sources (Uses):				
Insurance recovery	12,192	21,734	22,156	4,500
Sale of transportation equipment			13,521	
Sale of other property		200	1,638	177
Operating transfers in	86,173	83,225	1,123,165	1,110,537
Operating transfers out	(1,966,735)	(1,827,851)	(1,833,230)	(2,531,099)
Total Other Financing Sources (Uses)	(1,868,370)	(1,722,692)	(672,750)	(1,415,885)
Net Change in Fund Balances	(2,636,835)	(2,861,571)	2,924,973	2,044,929
Fund Balances:				
Beginning of period, as previously reported	13,093,211	17,271,246	14,355,909	12,310,980
Prior period adjustments	(16,696)	(1,316,464)	(9,636)	
Beginning of period, as restated	13,076,515	15,954,782	14,346,273	12,310,980
End of Period	\$ 10,439,680	\$ 13,093,211	\$ 17,271,246	\$ 14,355,909

*SOURCE - PRIOR YEAR AUDIT REPORTS

LAUDERDALE COUNTY SCHOOL DISTRICT

Other Information

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

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 14,980,997	\$ 13,971,691	\$ 13,397,438	\$ 13,497,977
Intermediate sources				53,244
State sources	33,667,987	32,059,721	31,815,764	29,302,596
Federal sources	5,522,370	6,394,507	7,505,343	9,873,918
Sixteenth section sources	519,890	382,630	790,052	818,482
Total Revenues	54,691,244	52,808,549	53,508,597	53,546,217
Expenditures:				
Instruction	32,045,099	31,815,470	30,824,631	31,488,604
Support services	20,551,199	19,545,578	16,380,832	16,971,317
Noninstructional services	2,886,682	2,907,552	2,792,064	2,832,388
Sixteenth section	199,063	179,753	214,327	162,718
Debt service:				
Principal	1,149,657	849,015	712,075	1,980,951
Interest	171,500	296,804	321,008	367,382
Other	3,714	102,902	2,748	3,754
Total Expenditures	57,006,914	55,697,074	51,247,685	53,807,114
Excess (Deficiency) of Revenues over (under) Expenditures	(2,315,670)	(2,888,525)	2,260,912	(260,897)
Other Financing Sources (Uses):				
Insurance recovery	12,192	21,734	22,156	4,500
Refunding bonds issued		4,855,000		
Payment to refunded bond escrow agent		(4,850,672)		
Premiums on bonds and refunding bonds issued		98,074		
Payment held by QSCB escrow agent	55,000	35,000		35,000
Payment to QSCB escrow agent	(55,000)	(35,000)		(35,000)
Sale of transportation equipment			13,521	
Sale of other property		200	1,638	177
Operating transfers in	2,052,908	1,911,076	3,185,832	3,866,216
Operating transfers out	(2,052,908)	(1,911,076)	(3,185,832)	(3,866,216)
Total Other Financing Sources (Uses)	12,192	124,336	37,315	4,677
Net Change in Fund Balances	(2,303,478)	(2,764,189)	2,298,227	(256,220)
Fund Balances:				
Beginning of period, as previously reported	18,313,996	21,075,754	18,797,737	19,073,484
Prior period adjustments	217,859	(2,463)	(12,224)	
Beginning of period, as restated	18,531,855	21,073,291	18,785,513	19,073,484
Increase (Decrease) in reserve for inventory	(11,726)	4,894	(7,986)	(19,527)
End of Period	\$ 16,216,651	\$ 18,313,996	\$ 21,075,754	\$ 18,797,737

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

James L. Stafford, CPA
 Harry W. Stevens, CPA
 S. Keith Winfield, CPA
 William B. Stagers, CPA
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 Thomas A. Davis, CPA
 Anita L. Goodrum, CPA
 Ricky D. Allen, CPA
 Jason D. Brooks, CPA
 Robert E. Cordie, Jr., CP
 Perry C. Rackley, Jr., CP

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

To the Superintendent and School Board
 Lauderdale County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lauderdale County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Lauderdale County School District’s basic financial statements and have issued our report thereon dated March 17, 2015.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2014-1).

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated March 17, 2015, which is included in this report.

Lauderdale County School District's Response to Findings

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 17, 2015

Watkins Ward and Stafford, PLLC



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

To the Superintendent and School Board
Lauderdale County School District

Report on Compliance for Each Major Federal Program

We have audited Lauderdale County School District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lauderdale County School District’s major federal programs for the year ended June 30, 2014. Lauderdale County School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Lauderdale County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding **2014-2**. Our opinion on each major federal program is not modified with respect to this matter.

Lauderdale County School District's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Lauderdale County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Lauderdale 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 Lauderdale 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 Lauderdale County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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. We did identify a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2014-2**, that we consider to be a significant deficiency.

Lauderdale County School District's response to the internal control over compliance findings and questioned costs as items identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Lauderdale County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
March 17, 2015

Watkins Ward and Stafford, PLLC

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

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

Superintendent and School Board
 Lauderdale County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2014, which collectively comprise Lauderdale County School District's basic financial statements and have issued our report thereon dated March 17, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district had no classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Proper form should be filed for all retirees

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

During our testing of internal controls related to payroll expenditures, we noted eight instances where Form 4B's were not signed within five days of rehire, and three instances where rehired received earnings in excess of the salary listed on the Form 4B.

Recommendation

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

School District Response

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

2. Sixteenth Section leases should be terminated after 60 days late

Upon inspection of the sixteenth section lease ledger, we noted three instances where payment of lease was more than 60 days late with no mention of legally required termination procedure being implemented.

Recommendation

The District should comply with Section 29-3-57, Miss. Code Ann. (1972), which requires "the superintendent of education shall keep a current docket as to the expiration date of all leases on sixteenth section land; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payments of rentals provided for by such lease. It shall be the duty of the superintendent to collect investments of sixteenth section funds. Upon a sixty (60) days default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

School District's Response

The District concurs with the recommendation and will comply with Section 29-3-57, Miss. Code Ann. (1972).

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

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

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

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
March 17, 2015

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAUDERDALE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 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? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.027, 84.173 | Special Education cluster |
| 10.553, 10.555, 10.559 | Child Nutrition cluster |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

LAUDERDALE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

2014-1 Internal Controls Over Sixteenth Section Revenues and Receipts Should Be Strengthened

Finding

During our testing of internal controls related to Sixteenth Section revenues and receipts, we noted instances where lease payments received by the Sixteenth Section manager were deposited late. We also noted a check for a timber sale in the amount of \$234,554.57 that was received by the Sixteenth Section manager at the end of the previous fiscal year but was not deposited until the current fiscal year. It was noted per our testing that the Sixteenth Section manager consistently held these checks and did not immediately turn them in for deposit into the bank; therefore, this activity was not timely recorded into the general ledger.

Proper internal controls were not in place to ensure sixteenth section deposits were made timely.

Without proper internal controls being in place to account for all monetary transactions, the District increases the risk of misappropriation of assets and inaccurate recording of revenue.

Recommendation

We recommend the District implement internal controls to ensure that Sixteenth Section deposits are made daily and that revenue is properly recorded.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered To Be A Material Weakness

2014-2 Controls Should Be Strengthened for Cash Management

Program: Special Education Cluster, CFDA # 84,027, 84.173

Compliance Requirement: Cash Management

Finding

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

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

Recommendation

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

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

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SUPERINTENDENT
RANDY HODGES

January 6, 2015

As required by Section 315 (c) of OMB Circular A-133, The Lauderdale County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014

Finding	Corrective Action Plan Details
2014-1	<ul style="list-style-type: none">a. Charlotte Parker Director of Finance 601-693-1683b. We concur with the recommendation and the Business Manager will ensure that all Sixteenth Section checks are given to her for timely deposits.c. This will be effective immediately.
2014-2	<ul style="list-style-type: none">a. Charlotte Parker Director of Finance 601-693-1683b. We concur with the finding and recommendation to comply with the cash management requirement for federal program funds.c. This will take effect immediately.

Respectfully,

Randy Hodges
Superintendent of Education



SUPERINTENDENT
RANDY HODGES

January 6, 2015

Summary Schedule of Prior Audit Findings

Financial and Compliance Audit Division

As required by Section ____ .315(b) of OMB Circular A-133, the Lauderdale County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2014.

<u>Finding</u>	<u>Status</u>
13-1	Corrected
13-2	Repeat finding

Sincerely,

Randy Hodges
Superintendent of Education