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**LAWRENCE COUNTY SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2010**

LAWRENCE COUNTY SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2010

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT

Independent Auditor's Report on the Basic Financial Statements and Supplemental Information.....1 - 2

MANAGEMENT'S DISCUSSION AND ANALYSIS.....4 -12

FINANCIAL STATEMENTS

Statement of Net Assets.....	14
Statement of Activities.....	15
Balance Sheet – Governmental Funds.....	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances.....	18 - 19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Statement of Fiduciary Assets and Liabilities .....	21
Notes to the Financial Statements.....	22 - 40

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule – General Fund.....	42
Budgetary Comparison Schedule – 16 <sup>th</sup> Section Interest Fund.....	43
Budgetary Comparison Schedule – Safe Schools and Healthy Students Fund.....	44
Notes to the Required Supplemental Information.....	45

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards.....	47 - 48
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds.....	49

OTHER SUPPLEMENTAL INFORMATION

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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	54 - 55
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	56 - 57

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS....59 - 60

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....62 - 65

AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR AUDIT FINDINGS.....66 - 67



**HOLT & ASSOCIATES, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

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FOUNDER (1915 - 1997)

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

Superintendent and School Board  
Lawrence County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of and for the year ended June 30, 2010, which collectively comprise the Lawrence County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lawrence County School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Lawrence County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2010 on our consideration of the Lawrence County School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawrence County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplemental 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, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Holt & Associates P.C.*

December 22, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

The discussion and analysis of Lawrence County School District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2010 increased \$149,379, which represents 1% increase from fiscal year 2009. Total net assets for 2009 decreased \$1,211,860, including a prior period adjustment of (\$228,602), which represents a decrease of 11% from fiscal year 2008.
- General revenues amounted to \$14,327,820 and \$14,765,427, or 73% and 79% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,422,394, or 27% of total revenues for 2010, and \$3,842,986, or 21% of total revenues for 2009.
- The District had expenses of \$19,600,835 and \$19,591,671 for fiscal years 2010 and 2009; only \$5,422,394 and \$3,842,986 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$14,327,820 for 2010 were adequate to provide for these programs. General revenues of \$14,765,427 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,186,329 in revenues and \$13,848,292 in expenditures for 2010 and \$14,934,240 in revenues and \$15,090,225 in expenditures in 2009. The General Fund's fund balance decreased by \$372,738 from 2009 to 2010, and decreased by \$1,013,869, including a prior period adjustment of (\$228,602), from 2008 to 2009.
- Capital assets, net of accumulated depreciation, increased by \$150,290 for 2010 and decreased by \$146,816 in 2009. The increase for 2010 was due to the addition of land, construction in progress and additional purchases of furniture and equipment.
- Long-term debt increased by \$2,993,944 in 2010, and increased by \$239,935 in 2009, which was primarily due to proceeds received for a Shortfall Note and issuance of Qualified School Construction Bonds. The liability for compensated absences increased \$3,081 and \$11,333 for 2010 and 2009, respectively.



LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the District's operations.

**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Assets, and the governmental fund's 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 fund's Balance Sheet and in the governmental fund's Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other 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. The accrual basis of accounting is used for fiduciary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

**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 following the basic financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

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.

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

Also, included in the other supplemental information section are 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. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$10,461,617 as of June 30, 2010 and \$10,312,238 as of June 30, 2009.

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

The following table presents a summary of the District's net assets at June 30, 2010 and 2009.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Current assets	\$ 7,647,594	\$ 4,582,327	67%
Other assets	63,731	64,591	-1%
Capital assets, net	6,327,145	6,176,855	2%
<b>Total assets</b>	<u>14,038,470</u>	<u>10,823,773</u>	30%
Current liabilities	332,681	237,591	40%
Long-term debt outstanding	3,244,172	273,944	1084%
<b>Total liabilities</b>	<u>3,576,853</u>	<u>511,535</u>	599%
Net assets:			
Invested in capital assets, net of related debt	6,327,145	6,176,855	2%
Restricted	4,046,502	3,671,731	10%
Unrestricted	87,970	463,652	-81%
<b>Total net assets</b>	<u>\$ 10,461,617</u>	<u>\$ 10,312,238</u>	1%

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

- Changes in long-term debt were due to proceeds from a Shortfall Note and issuance of Qualified School Construction Bonds.
- The principal retirement of \$72,614 of long-term debt.

**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2010 and 2009 were \$19,750,214 and \$18,608,413, respectively. The total cost of all programs and services was \$19,600,835 in 2010 and \$19,591,671 in 2009. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2009</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 705,344	\$ 745,906	-5%
Operating grants and contributions	4,717,050	3,097,080	52%
General Revenues			
Taxes	5,040,211	4,822,699	5%
Unrestricted grants and contributions	8,714,029	9,610,230	-9%
16th Section sources	499,938	226,510	121%
Other	<u>73,642</u>	<u>105,988</u>	-31%
<b>Total Revenues</b>	<u>19,750,214</u>	<u>18,608,413</u>	6%
<b>Expenses:</b>			
Instruction	11,732,948	11,833,506	-1%
Support Services	6,558,643	6,368,850	3%
Non-instructional	1,250,076	1,307,206	-4%
16th Section	40,780	72,977	-44%
Interest on long-term liabilities	<u>18,388</u>	<u>9,132</u>	101%
<b>Total Expenses</b>	<u>19,600,835</u>	<u>19,591,671</u>	0%
<b>Increase in Net Assets</b>	149,379	(983,258)	-115%
Net assets, July 1	10,312,238	11,524,098	-11%
Prior period adjustment	<u>-</u>	<u>(228,602)</u>	-100%
Net assets, July 1 (as restated)	<u>10,312,238</u>	<u>11,295,496</u>	-9%
Net assets, June 30	<u>\$ 10,461,617</u>	<u>\$ 10,312,238</u>	1%

**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 debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.



**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2009</b>	
Instruction	\$ 11,732,948	\$ 11,833,506	-1%
Support Services	6,558,643	6,368,850	3%
Non-instructional	1,250,076	1,307,206	-4%
16th Section	40,780	72,977	-44%
Interest on long-term liabilities	18,388	9,132	101%
	<u>\$ 19,600,835</u>	<u>\$ 19,591,671</u>	0%

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2010</b>	<b>2009</b>	
Instruction	\$ (9,456,088)	\$ (10,017,425)	-6%
Support Services	(4,708,767)	(5,643,928)	-17%
Non-instructional	5,223	(41,807)	-112%
16th Section	(421)	(36,393)	-99%
Interest on long-term liabilities	(18,388)	(9,132)	101%
	<u>\$ (14,178,441)</u>	<u>\$ (15,748,685)</u>	-10%

- Net cost of governmental activities in 2010 was \$14,178,441 and in 2009 was \$15,748,685 financed by general revenue, which is made up of primarily property taxes in 2010 and 2009 of \$5,040,211 and \$4,822,699, respectively, and state revenue and federal revenues of \$8,699,722 in 2010 and \$9,593,933 in 2009.
- Investment earnings accounted for funding of \$28,214 in 2010 and \$59,558 in 2009.

**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, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

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 \$7,468,205, an increase of \$2,977,132, which includes an increase in inventory of \$1,626, due primarily to revenues received from bond proceeds during the fiscal year. \$3,845,834 or 51% of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$3,622,371 or 49% is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, capital projects, unemployment benefits, forestry improvement purposes, debt service funds, and permanent fund purposes.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for fiscal year 2010 was \$372,738. Declining enrollment and the failure of the state to completely fund the Mississippi Adequate Education Program, continue to cause declines in Fund Balance. The fund balance of Other Governmental Funds showed an increase in the amount of \$137,398. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
16 <sup>th</sup> Section Interest Fund	\$ 212,923
Safe Schools and Health Students Fund	\$ -
School Construction Fund	\$ 2,999,549

## **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. While planning to spend approximately half-a-million dollars in fund balance, the District was faced with state budget reductions of another approximate half-a-million dollars, causing a total decreased in fund balance of over a million dollars.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2010, the District's total capital assets were \$14,313,601, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$394,916 from 2009. Total accumulated depreciation as of June 30, 2010 was \$7,986,456 and total depreciation expense was \$289,318 resulting in total net capital assets of \$6,327,145.



**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>
Land	\$ 214,837	\$ 145,471	48%
Construction in Progress	218,088	-	N/A
Buildings	4,795,380	4,912,581	-2%
Improvements Other than Buildings	220,054	232,847	-5%
Mobile Equipment	728,379	744,792	-2%
Furniture & Equipment	150,407	141,164	7%
	<u>\$ 6,327,145</u>	<u>\$ 6,176,855</u>	2%

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

**Debt Administration.** At June 30, 2010 and 2009 the District had \$3,340,502 and \$346,558, respectively, in shortfall notes payable and other long-term debt outstanding.

	<u>Outstanding Debt</u>		<u>Percentage</u>
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Change</u>
Shortfall notes payable	\$ 219,465	\$ 228,602	-4%
Qualified school construction bonds payable	3,000,000	-	N/A
Compensated absences payable	121,037	117,956	3%
<b>Total</b>	<u>\$ 3,340,502</u>	<u>\$ 346,558</u>	864%

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

## **CURRENT ISSUES**

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

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

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

Enrollment for the 2009-2010 year increased by 6.5% to 2174 students.

**LAWRENCE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Lawrence County School District, 346 Thomas E. Jolly Drive, Monticello, MS 39654-9301.

## FINANCIAL STATEMENTS

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2010**

**Exhibit A**

	<u><b>Governmental Activities</b></u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 6,973,255
Other Receivables	10,885
Due from other governments	524,528
Due from other funds	91,062
Advances from other funds	2,000
Inventories	23,416
Bond issue costs	22,448
Restricted assets	63,731
Capital assets, not being depreciated:	
Land	214,837
Construction in progress	218,088
Capital assets, net of accumulated depreciation:	
Buildings	4,795,380
Improvements other than buildings	220,054
Mobile Equipment	728,379
Furniture and equipment	150,407
<b>TOTAL ASSETS</b>	<u><u>\$ 14,038,470</u></u>
<b>LIABILITIES:</b>	
Accounts payable and accrued liabilities	\$ 193,002
Unearned revenue	27,670
Interest payable on long-term liabilities	15,679
Long-term liabilities (due within one year)	
Non-capital related liabilities	96,330
Long-term liabilities (due beyond one year)	
Capital related liabilities	3,000,000
Non-capital related liabilities	244,172
<b>TOTAL LIABILITIES</b>	<u><u>\$ 3,576,853</u></u>
<b>NET ASSETS:</b>	
Invested in capital assets (net of related debt)	\$ 6,327,145
Restricted net assets:	
Expendable:	
School-based activities	3,265,958
Debt service	316,388
Capital Improvements	296,912
Forestry improvements	59,427
Unemployment benefits	47,200
Nonexpendable:	
Sixteenth section	60,617
Unrestricted:	87,970
<b>TOTAL NET ASSETS</b>	<u><u>\$ 10,461,617</u></u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2010**

**Exhibit B**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 11,732,948	\$ 347,312	\$ 1,929,548	\$ -	\$ (9,456,088)
Support Services	6,558,643	-	1,849,876	-	(4,708,767)
Non-instructional	1,250,076	317,673	937,626	-	5,223
Sixteenth Section	40,780	40,359	-	-	(421)
Interest on long-term liabilities	18,388	-	-	-	(18,388)
Total governmental activities	<u>\$ 19,600,835</u>	<u>\$ 705,344</u>	<u>\$ 4,717,050</u>	<u>\$ -</u>	<u>(14,178,441)</u>
General Revenues:					
Taxes:					
General purpose levies					4,935,983
Debt purpose levies					104,228
Unrestricted grants & contributions:					
State					8,625,721
Federal					74,001
Donations					14,307
Unrestricted investment earnings:					28,214
Sixteenth Section Sources					499,938
Other					45,428
Total General Revenues					<u>14,327,820</u>
Change in Net Assets					<u>149,379</u>
Net Assets - Beginning					<u>10,312,238</u>
Net Assets - Ending					<u>\$ 10,461,617</u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2010**

Exhibit C

	<b>MAJOR FUNDS</b>					
	<b>General Fund</b>	<b>16th Section Interest Fund</b>	<b>Safe Schools and Healthy Students Fund</b>	<b>School Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 1,264,381	\$ 1,685,539	\$ 21,972	\$ 2,862,118	\$ 1,142,359	\$ 6,976,369
Investments	-	-	-	-	60,617	60,617
Receivables	3,803	-	-	-	7,082	10,885
Due from other governments	172,548	-	247,574	-	104,406	524,528
Due from other funds	661,617	1,503,115	845	143,157	103,801	2,412,535
Advances to other funds	2,000	-	-	-	-	2,000
Inventories	-	-	-	-	23,416	23,416
<b>TOTAL ASSETS</b>	<b>\$ 2,104,349</b>	<b>\$ 3,188,654</b>	<b>\$ 270,391</b>	<b>\$ 3,005,275</b>	<b>\$ 1,441,681</b>	<b>\$ 10,010,350</b>
<b>LIABILITIES &amp; FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 85,870	\$ 35,517	\$ 30,252	\$ 4,952	\$ 36,411	\$ 193,002
Due to other funds	1,581,007	3,598	239,294	-	497,574	2,321,473
Unearned revenue	-	-	845	-	26,825	27,670
<b>Total Liabilities</b>	<b>1,666,877</b>	<b>39,115</b>	<b>270,391</b>	<b>4,952</b>	<b>560,810</b>	<b>2,542,145</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Advances	2,000	-	-	-	-	2,000
Inventory	-	-	-	-	23,416	23,416
Capital projects	-	-	-	3,000,323	97,321	3,097,644
Unemployment benefits	-	-	-	-	47,200	47,200
Forestry improvement purposes	-	-	-	-	59,427	59,427
Debt service funds	-	-	-	-	332,067	332,067
Permanent funds	-	-	-	-	60,617	60,617
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	435,472	-	-	-	-	435,472
Special revenue fund	-	3,149,539	-	-	260,823	3,410,362
<b>Total Fund Balances</b>	<b>437,472</b>	<b>3,149,539</b>	<b>-</b>	<b>3,000,323</b>	<b>880,871</b>	<b>7,468,205</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 2,104,349</b>	<b>\$ 3,188,654</b>	<b>\$ 270,391</b>	<b>\$ 3,005,275</b>	<b>\$ 1,441,681</b>	<b>\$ 10,010,350</b>

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



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2010**

**EXHIBIT C-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,468,205
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,986,456.	6,327,145
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,340,502)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(15,679)
4. Bond issuance costs and similar items are amortized on the Statement of Activities but are recognized when incurred on the governmental funds.	<u>22,448</u>
Total Net Assets - Governmental Activities	\$ <u><u>10,461,617</u></u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

**Exhibit D**

	<b>MAJOR FUNDS</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>16th Section Interest Fund</b>	<b>Safe Schools and Healthy Students Fund</b>	<b>School Construction Fund</b>	<b>Other Governmental Funds</b>	
<b>REVENUES</b>						
Local Sources	\$ 5,327,204	\$ 14,565	\$ -	\$ 323	\$ 447,250	\$ 5,789,342
State Sources	8,785,124	-	-	-	415,537	9,200,661
Federal Sources	74,001	-	643,881	-	3,498,226	4,216,108
Sixteenth Section Sources	-	498,794	-	-	41,503	540,297
<b>TOTAL REVENUES</b>	<b>14,186,329</b>	<b>513,359</b>	<b>643,881</b>	<b>323</b>	<b>4,402,516</b>	<b>19,746,408</b>
<b>EXPENDITURES</b>						
Instruction	8,831,478	-	-	-	2,785,798	11,617,276
Support Services	4,947,448	-	635,601	-	977,392	6,560,441
Noninstructional Services	-	-	-	-	1,225,328	1,225,328
Sixteenth Section	-	8,018	-	-	32,762	40,780
Facilities Acquisition & Construction	69,366	-	-	-	218,088	287,454
Debt Service:						
Principal	-	-	-	-	72,614	72,614
Interest	-	-	-	-	11,110	11,110
<b>TOTAL EXPENDITURES</b>	<b>13,848,292</b>	<b>8,018</b>	<b>635,601</b>	<b>-</b>	<b>5,323,092</b>	<b>19,815,003</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>338,037</b>	<b>505,341</b>	<b>8,280</b>	<b>323</b>	<b>(920,576)</b>	<b>(68,595)</b>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2010**

**Exhibit D**

	<b>MAJOR FUNDS</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>16th Section Interest Fund</b>	<b>Safe Schools and Healthy Students Fund</b>	<b>School Construction Fund</b>	<b>Other Governmental Funds</b>	
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	144,467	3,115	-	-	1,268,089	1,415,671
Proceeds of Loan	63,477	-	-	-	-	63,477
Bond Proceeds	-	-	-	3,000,000	-	3,000,000
Insurance Loss Recoveries	3,803	-	-	-	-	3,803
Operating Transfers Out	(922,451)	(295,533)	(8,280)	(774)	(188,633)	(1,415,671)
Other Financing Uses	(71)	-	-	-	(23,108)	(23,179)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(710,775)</u>	<u>(292,418)</u>	<u>(8,280)</u>	<u>2,999,226</u>	<u>1,056,348</u>	<u>3,044,101</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(372,738)</u>	<u>212,923</u>	<u>-</u>	<u>2,999,549</u>	<u>135,772</u>	<u>2,975,506</u>
<b>FUND BALANCES:</b>						
July 1, 2009	810,210	2,936,616	-	774	743,473	4,491,073
Increase (decrease) in reserve for inventory	-	-	-	-	1,626	1,626
June 30, 2010	<u>\$ 437,472</u>	<u>\$ 3,149,539</u>	<u>\$ -</u>	<u>\$ 3,000,323</u>	<u>\$ 880,871</u>	<u>\$ 7,468,205</u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended June 30, 2010**

**Exhibit D-1**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 2,975,506
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$441,470 and the depreciation expense amounted to \$289,318.	152,152
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the Statement of Activities.	(3,063,477)
3. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	72,614
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(6,547)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(1,862)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased (increased) in the Statement of Activities.	1,626
7. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes bond issuance costs as it amortizes.	22,448
8. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(3,081)
Change in Net Assets of Governmental Activities	<u>\$ 149,379</u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2010**

**Exhibit E**

	<b>Agency Funds</b>
Assets	
Cash and cash equivalents	\$ 934,036
Due from other funds	<u>2,196</u>
Total Assets	<u><u>\$ 936,232</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 832,484
Due to other funds	93,258
Due to student clubs	8,490
Advances from other funds	<u>2,000</u>
Total Liabilities	<u><u>\$ 936,232</u></u>

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

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**(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 was elected by the citizens of each defined county district.

For financial reporting purposes, the Lawrence 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. Basis of Presentation.**

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund 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 Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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*(1) Summary of Significant Accounting Policies. (Continued)*

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have 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, is offset by program revenues. Direct expenses are those clearly identifiable to a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as 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. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Sixteenth Section Interest Fund - This is the fund that accounts for the non-restricted income from sixteenth section property.

Safe Schools and Healthy Students Fund - This is the fund that accounts for the federal grant from the U.S. Department of Health and Human Services

School Construction Fund - This is the fund that accounts for construction and renovation of school buildings.

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

The District's fiduciary funds include the following:

Club Funds - Accounts for receipt of money due to various school clubs.

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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***(1) Summary of Significant Accounting Policies. (Continued)***

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

**FIDUCIARY FUNDS**

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

**C. Measurement Focus and Basis of Accounting.**

In the government-wide Statement of Net Assets 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 the 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 funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "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 the payment is due.

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**(1) Summary of Significant Accounting Policies. (Continued)**

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

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

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

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

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

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

**D. Account Classifications.**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

**E. Encumbrances.**

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



**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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***(1) Summary of Significant Accounting Policies. (Continued)***

**F. Assets, Liabilities, and Net Assets**

**1. Cash, Cash equivalents, and Investments**

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from other Governments**

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

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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*(1) Summary of Significant Accounting Policies. (Continued)*

4. Inventories

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

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 Assets. 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.

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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***(1) Summary of Significant Accounting Policies. (Continued)***

The following schedule details those thresholds.

	<b>Capitalization Policy</b>	<b>Estimated Useful Life</b>
Land	\$ -	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 lease	*	*

(\*) The threshold amount will correspond with the amounts for the asset classification 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 provided by school district's policy provided that it does not exceed the provisions 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 long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

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

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between acquisition 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.



LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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*(1) Summary of Significant Accounting Policies. (Continued)*

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of fund balances in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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***(2) Cash and Cash Equivalents and Investments.***

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and 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, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (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 interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. 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 \$7,036,986 (which includes \$60,617 of certificates of deposit with original maturities beyond three months and reported on Exhibit C as investments) and \$934,036, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$6,973,255 and restricted assets - \$63,731.

The restricted assets of \$63,731 represent the cash balance and investment balance 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. The bank balance was \$8,587,389.

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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(2) *Cash and Cash Equivalents and Investments. (Continued)*

*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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, \$2,500,157 of the district's bank balance of \$8,587,389 was exposed to custodial credit risk.

*Investments.*

As of June 30, 2010, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Certificates of deposits	2	\$ 60,617	Not Rated
Total Investments		<u>\$ 60,617</u>	

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2010, the district did not have any investments to which this would apply.

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

As of June 30, 2010, the district had the following investments: certificate of deposit which is reported in the 16<sup>th</sup> Section Principal Fund. The certificate of deposits makes up 100% of total investments.



LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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*(3) Interfund Receivables, Payables, and Transfers.*

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	16th Section Interest Fund	\$ 134
	Safe Schools and Healthy Students Fund	239,294
	Other Governmental Funds	349,189
	Fiduciary Funds	73,000
16th Section Interest Fund	General Fund	1,500,000
	Other Governmental Funds	3,115
Safe Schools and Healthy Students Fund	Fiduciary Funds	845
School Construction Fund	Other Governmental Funds	143,157
Other Governmental Funds	General Fund	80,924
	16th Section Interest Fund	3,464
	Fiduciary Funds	19,413
Fiduciary Funds	General Fund	83
	Other Governmental Funds	2,113
Totals		<u>\$ 2,414,731</u>

Interfund loans primarily represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

B. Advances To/From Other Funds..

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Fiduciary Funds	\$ 2,000
Totals		<u>\$ 2,000</u>

The school board annually approves the continuation of this loan to the accounts payable and payroll clearing funds in the amounts of \$1,000 each to provide a minimum balance in the accounts.

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**(3) Interfund Receivables, Payables, and Transfers. (Continued)**

C. Transfers in/out:

		<u>Amount</u>
<u>Transfers Out</u>	<u>Transfers In</u>	
General Fund	Other Governmental Funds	\$ 922,451
16th Section Interest	General Fund	71,566
	Other Governmental Funds	223,967
Safe Schools and Healthy Students Fund	General Fund	8,280
School Construction Fund	Other Governmental Funds	774
Other Governmental Funds	General Fund	64,621
	16th Section Interest Fund	3,115
	Other Governmental Funds	<u>120,897</u>
Totals		<u>\$ 1,415,671</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

**(4) Restricted Assets.**

The restricted assets represent the cash balance and investment, totaling \$3,114 and \$60,617, respectively, 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.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**(5) Capital Assets.**

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

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2010</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 145,471	\$ 69,366	\$ -	\$ 214,837
Construction in progress	-	218,088	-	218,088
Total non-depreciable	<u>145,471</u>	<u>287,454</u>	<u>-</u>	<u>432,925</u>
<u>Depreciable capital assets:</u>				
Buildings	10,133,482	-	-	10,133,482
Improvements other than buildings	505,478	-	-	505,478
Mobile equipment	2,490,206	84,250	-	2,574,456
Furniture and equipment	644,048	69,766	46,554	667,260
Total depreciable capital assets	<u>13,773,214</u>	<u>154,016</u>	<u>46,554</u>	<u>13,880,676</u>
<u>Less Accumulated Depreciation for:</u>				
Buildings	5,220,901	117,201	-	5,338,102
Improvements other than buildings	272,631	12,793	-	285,424
Mobile equipment	1,745,414	100,663	-	1,846,077
Furniture and equipment	502,884	58,661	44,692	516,853
Total Accumulated Depreciation	<u>7,741,830</u>	<u>289,318</u>	<u>44,692</u>	<u>7,986,456</u>
Total Depreciable Capital Assets, Net	<u>6,031,384</u>	<u>(135,302)</u>	<u>1,862</u>	<u>5,894,220</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,176,855</u>	<u>\$ 152,152</u>	<u>\$ 1,862</u>	<u>\$ 6,327,145</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$139,391
Support Services	126,187
Noninstructional	23,740
Total depreciation expense	<u>\$289,318</u>



**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**(5) Capital Assets. (Continued)**

Commitments under construction contracts at June 30, 2010, are summarized as follows:

	<u>Spent to June 30, 2010</u>	<u>Remaining Commitment</u>
Governmental Activities:		
New Hebron	\$ 27,317	\$ 370,683
Topeka	28,619	388,381
Rod Paige	25,254	342,696
Lawrence County H.S.	99,665	1,689,887
Monticello	37,233	505,265
Total	<u>\$ 218,088</u>	<u>\$ 3,296,912</u>

Construction projects included in governmental activities are funded with Qualified School Construction Bonds and District Maintenance.

**(6) Long-term Liabilities.**

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

	<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2010</u>	<u>Amounts due within one year</u>
A. Shortfall notes payable	\$ 228,602	\$ 63,477	\$ 72,614	\$ 219,465	\$ 96,330
B. Qualified school construction bonds payable	-	3,000,000	-	3,000,000	-
C. Compensated absences payable	117,956	3,081	-	121,037	-
Total	<u>\$ 346,558</u>	<u>\$ 3,066,558</u>	<u>\$ 72,614</u>	<u>\$ 3,340,502</u>	<u>\$ 96,330</u>

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**(6) Long-term Liabilities. (Continued)**

A. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Shortfall Note, Series 2008	5.00%	9/3/2008	9/3/2011	\$ 228,602	\$155,988
2. Shortfall Note, Series 2009	4.74%	9/22/2009	9/22/2012	<u>63,477</u>	<u>63,477</u>
Total				<u>\$ 292,079</u>	<u>\$219,465</u>

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

1. Shortfall notes payable issue of September 3, 2008

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 76,143	\$ 7,581	\$ 83,724
2012	<u>79,845</u>	<u>3,880</u>	<u>83,725</u>
	<u>\$ 155,988</u>	<u>\$ 11,461</u>	<u>\$ 167,449</u>

This debt will be retired from the general fund.

2. Shortfall notes payable issue of September 22, 2009

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 20,187	\$ 3,009	\$ 23,196
2012	21,144	2,052	23,196
2013	<u>22,146</u>	<u>1,050</u>	<u>23,196</u>
	<u>\$ 63,477</u>	<u>\$ 6,111</u>	<u>\$ 69,588</u>

This debt will be retired from the general fund.

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

**(6) Long-term Liabilities. (Continued)**

**A. Shortfall notes payable.**

Total shortfall notes payable payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 96,330	\$ 10,590	\$ 106,920
2012	100,989	5,932	106,921
2013	22,146	1,050	23,196
	<u>\$ 219,465</u>	<u>\$ 17,572</u>	<u>\$ 237,037</u>

**B. Qualified school construction bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Note Series 2010	0.88%	1/26/2010	9/15/2024	\$ 3,000,000	\$3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$3,000,000</u>

**C. Compensated absences payable.**

As more fully explained in Note 1, F.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.

**(7) Defined Benefit Pension Plan.**

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

LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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**(7) Defined Benefit Pension Plan. (Continued)**

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2010, was 12% 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, 2010, 2009 and 2008 were \$1,351,664, \$1,423,138 and \$1,269,811, respectively, which equaled the required contributions for each year.

**(8) Sixteenth Section Lands.**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from 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,	
2011	\$ 28,754
2012	27,544
2013	11,135
2014	3,290
2015	375
2016-2020	575
2021-2023	225
	<u>\$ 71,898</u>

**(9) Subsequent Events**

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Lawrence County School District evaluated the activity of the district through December 22, 2010, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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***(10) 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.

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 95 school districts and one community college and covers risks of loss arising from injuries to the member's 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.

***(11) Insurance Loss Recoveries***

The Lawrence County School District received \$3,803 in insurance loss recoveries related to vandalism damage during the 2009-2010 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as Other Income and allocated to the support services expenditure function based on how funds were expended to repair damages.

***(12) Qualified School Construction Bonds***

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



LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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***(12) Qualified School Construction Bonds. (Continued)***

Starting in fiscal year ending June 30, 2011, the school district will be required to make equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2011	\$ 200,000
2012	200,000
2013	200,000
2014	200,000
2015	200,000
2016-2020	1,000,000
2021-2024	<u>1,000,000</u>
	<u>\$ 3,000,000</u>



## REQUIRED SUPPLEMENTAL INFORMATION

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule- General Fund**  
**For the Year Ended June 30, 2010**

Schedule 1a

	<b>Budgeted Amounts</b>		<b>Actual (GAAP Basis)</b>	<b>Variances Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES</b>					
Local Sources	\$ 6,243,546	\$ 5,324,365	\$ 5,327,204	\$ (919,181)	\$ 2,839
State Sources	10,394,440	8,783,671	8,785,124	(1,610,769)	1,453
Federal Sources	120,000	77,437	74,001	(42,563)	(3,436)
<b>TOTAL REVENUES</b>	<b>16,757,986</b>	<b>14,185,473</b>	<b>14,186,329</b>	<b>(2,572,513)</b>	<b>856</b>
<b>EXPENDITURES</b>					
Instruction	10,593,569	8,824,802	8,831,478	1,768,767	(6,676)
Support Services	5,349,884	4,978,320	4,947,448	371,564	30,872
Facilities Acquisition & Const.	9,904	69,366	69,366	(59,462)	-
<b>TOTAL EXPENDITURES</b>	<b>15,953,357</b>	<b>13,872,488</b>	<b>13,848,292</b>	<b>2,080,869</b>	<b>24,196</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>804,629</b>	<b>312,985</b>	<b>338,037</b>	<b>(491,644)</b>	<b>25,052</b>
<b>OTHER FINANCIAL SOURCES (USES)</b>					
Proceeds of loan	-	-	63,477	-	63,477
Sale of transportation equipment	2,000	-	-	(2,000)	-
Sale of other property	2,000	-	-	(2,000)	-
Operating transfers in	1,678,145	1,580,005	144,467	(98,140)	(1,435,538)
Insurance loss recoveries	-	3,803	3,803	3,803	-
Other financing sources	-	-	-	-	-
Operating transfers out	(2,485,959)	(2,357,988)	(922,451)	127,971	1,435,537
Other financing uses	-	(71)	(71)	(71)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(803,814)</b>	<b>(774,251)</b>	<b>(710,775)</b>	<b>29,563</b>	<b>63,476</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>815</b>	<b>(461,266)</b>	<b>(372,738)</b>	<b>(462,081)</b>	<b>88,528</b>
<b>FUND BALANCES:</b>					
July 1, 2009	706,000	774,334	810,210	68,334	35,876
<b>June 30, 2010</b>	<b>\$ 706,815</b>	<b>\$ 313,068</b>	<b>\$ 437,472</b>	<b>\$ (393,747)</b>	<b>\$ 124,404</b>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule- 16th Section Interest Fund**  
**For the Year Ended June 30, 2010**

Schedule 1b

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local Sources	\$ 10,000	\$ 14,565	\$ 14,565	\$ 4,565	\$ -
Sixteenth Section Sources	224,000	498,794	498,794	274,794	-
<b>TOTAL REVENUES</b>	<u>234,000</u>	<u>513,359</u>	<u>513,359</u>	<u>279,359</u>	<u>-</u>
<b>EXPENDITURES</b>					
Sixteenth Section	10,000	8,017	8,018	1,983	(1)
<b>TOTAL EXPENDITURES</b>	<u>10,000</u>	<u>8,017</u>	<u>8,018</u>	<u>1,983</u>	<u>(1)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>224,000</u>	<u>505,342</u>	<u>505,341</u>	<u>281,342</u>	<u>(1)</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>					
Operating transfers in	1,000	3,115	3,115	2,115	-
Operating transfers out	(40,000)	(295,533)	(295,533)	(255,533)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(39,000)</u>	<u>(292,418)</u>	<u>(292,418)</u>	<u>(253,418)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	185,000	212,924	212,923	27,924	(1)
<b>FUND BALANCES:</b>					
July 1, 2009	<u>2,900,000</u>	<u>2,936,616</u>	<u>2,936,616</u>	<u>36,616</u>	<u>-</u>
June 30, 2010	<u>\$ 3,085,000</u>	<u>\$ 3,149,540</u>	<u>\$ 3,149,539</u>	<u>\$ 64,540</u>	<u>\$ (1)</u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Budgetary Comparison Schedule- Safe Schools and Healthy Students Fund**  
**For the Year Ended June 30, 2010**

Schedule 1c

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Federal Sources	\$ 1,000,000	\$ 644,726	\$ 643,881	\$ (355,274)	\$ (845)
TOTAL REVENUES	<u>1,000,000</u>	<u>644,726</u>	<u>643,881</u>	<u>(355,274)</u>	<u>(845)</u>
EXPENDITURES					
Support Services	1,000,000	636,446	635,601	363,554	845
Noninstructional Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,000,000</u>	<u>636,446</u>	<u>635,601</u>	<u>363,554</u>	<u>845</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>8,280</u>	<u>8,280</u>	<u>8,280</u>	<u>-</u>
OTHER FINANCIAL SOURCES (USES)					
Operating transfers out	<u>-</u>	<u>(8,280)</u>	<u>(8,280)</u>	<u>(8,280)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(8,280)</u>	<u>(8,280)</u>	<u>(8,280)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**LAWRENCE COUNTY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

## SUPPLEMENTAL INFORMATION



**LAWRENCE COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

**SCHEDULE 2**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	231,053
National School Lunch Program	10.555	686,696
Total Child Nutrition Cluster		917,749
Total U.S. Dept. of Agriculture		917,749
<b><u>FEDERAL COMMUNICATIONS COMMISSION</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	74,001
Total Federal Communications Commission		74,001
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>		
Direct Programs:		
Twenty-First Century Community Learning Centers	84.287	72
Subtotal		72
Passed-Through Mississippi Dept. of Education:		
Career and Technical Education-Basic Grants to States	84.048	52,722
Safe and Drug Free Schools and Communities - National Programs (B)	84.184L	643,881
Safe and Drug Free Schools and Communities - State Grants	84.186	13,413
Education Technology State Grants	84.318	12,292
Rural Education	84.358	28,370
Improving Teacher Quality - State Grants	84.367	150,504
ARRA - State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394A	672,841
Subtotal		1,574,023
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	628,897
ARRA- Title I Grants to Local Educational Agencies , Recovery Act	84.389A	414,823
Total Title I Cluster		1,043,720
Special Education Cluster:		
Special Education - Grants to States	84.027	365,380
Special Education - Preschool Grants	84.173	13,866
ARRA - Special Education - Grants to States, Recovery Act	84.391A	193,390
Total Special Education Cluster		572,636
Total Passed-Through MDE		3,190,379
Total U.S. Department of Education		3,190,451

**LAWRENCE COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

**SCHEDULE 2**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed-Through the Mississippi Department of Education:		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	1,800
Total Passed-Through MDE		1,800
Total U.S. Department of Health and Human Services		1,800
Total for all Federal Awards		\$ 4,184,001

**NOTES TO THE 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.

**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2010**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 14,961,834	\$ 11,164,562	\$ 1,037,293	\$ 1,012,211	\$ 1,747,768
Other	<u>4,853,169</u>	<u>1,740,094</u>	<u>465,628</u>	<u>314,859</u>	<u>2,332,588</u>
Total	<u>\$ 19,815,003</u>	<u>\$ 12,904,656</u>	<u>\$ 1,502,921</u>	<u>\$ 1,327,070</u>	<u>\$ 4,080,356</u>
Total number of students*	2,174				
Cost per student	\$ 9,115	\$ 5,936	\$ 691	\$ 611	\$ 1,877

**NOTES TO SCHEDULE**

1. **Instruction and Other Student Instructional Expenditures**- includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. **General Administration** - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. **School Administration** - includes expenditures for the following function: Support Services - School Administration.
4. **Other** - includes all expenditure functions not included in Instruction or Administration Categories.

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

## OTHER SUPPLEMENTAL INFORMATION

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

	<u>2010</u>	<u>2009*</u>	<u>2008*</u>	<u>2007*</u>
<b>REVENUES</b>				
Local Sources	\$ 5,327,204	\$ 5,192,263	\$ 4,987,978	\$ 4,889,981
State Sources	8,785,124	9,654,816	10,649,965	9,955,993
Federal Sources	<u>74,001</u>	<u>87,161</u>	<u>158,981</u>	<u>358,851</u>
<b>TOTAL REVENUES</b>	<u>14,186,329</u>	<u>14,934,240</u>	<u>15,796,924</u>	<u>15,204,825</u>
<b>EXPENDITURES</b>				
Instruction	8,831,478	9,904,033	9,901,483	9,319,501
Support Services	4,947,448	5,183,992	5,184,238	4,766,425
Noninstructional Services	-	-	-	31
Facilities Acquisition & Construction	<u>69,366</u>	<u>2,200</u>	<u>-</u>	<u>29,322</u>
<b>TOTAL EXPENDITURES</b>	<u>13,848,292</u>	<u>15,090,225</u>	<u>15,085,721</u>	<u>14,115,279</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>338,037</u>	<u>(155,985)</u>	<u>711,203</u>	<u>1,089,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	144,467	73,687	77,166	41,536
Proceeds of Loans	63,477	228,602	-	-
Insurance Loss Recoveries	3,803	-	-	1,945
Sale of Transportation Equipment	-	-	2,123	-
Sale of Other Property	-	-	506	923
Operating Transfers Out	(922,451)	(923,013)	(818,887)	(708,780)
Other Financing Uses	<u>(71)</u>	<u>(8,558)</u>	<u>(528)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(710,775)</u>	<u>(629,282)</u>	<u>(739,620)</u>	<u>(664,376)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(372,738)	(785,267)	(28,417)	425,170
<b>FUND BALANCES:</b>				
July 1,	810,210	1,824,079	1,830,324	1,405,897
Prior Period Adjustment	<u>-</u>	<u>(228,602)</u>	<u>22,172</u>	<u>(743)</u>
July 1, as Restated	<u>810,210</u>	<u>1,595,477</u>	<u>1,852,496</u>	<u>1,405,154</u>
June 30,	<u>\$ 437,472</u>	<u>\$ 810,210</u>	<u>\$ 1,824,079</u>	<u>\$ 1,830,324</u>

\*SOURCE- PRIOR YEAR AUDIT REPORTS



**LAWRENCE COUNTY SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**All Governmental Funds**  
**Last Four Years**

	2010	2009*	2008*	2007*
<b>REVENUES</b>				
Local Sources	\$ 5,789,342	\$ 5,654,304	\$ 5,416,593	\$ 5,352,388
State Sources	9,200,661	10,127,820	11,198,335	10,425,069
Federal Sources	4,216,108	2,563,195	3,082,563	3,530,460
Sixteenth Section Sources	540,297	263,094	275,919	295,016
<b>TOTAL REVENUES</b>	<u>19,746,408</u>	<u>18,608,413</u>	<u>19,973,410</u>	<u>19,602,933</u>
<b>EXPENDITURES</b>				
Instruction	11,617,276	11,724,319	11,984,629	11,499,064
Support Services	6,560,441	6,328,957	6,421,150	6,080,237
Noninstructional Services	1,225,328	1,278,200	1,205,985	1,102,295
Sixteenth Section	40,780	72,977	28,521	35,112
Facilities Acquisition & Construction	287,454	2,200	228,733	1,311,592
Debt Service:				
Principal	72,614	-	72,000	68,000
Interest	11,110	-	1,773	5,269
<b>TOTAL EXPENDITURES</b>	<u>19,815,003</u>	<u>19,406,653</u>	<u>19,942,791</u>	<u>20,101,569</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(68,595)</u>	<u>(798,240)</u>	<u>30,619</u>	<u>(498,636)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	1,415,671	1,137,780	1,019,217	934,517
Bond Proceeds	3,000,000	-	-	-
Proceeds of Loans	63,477	228,602	-	-
Insurance Loss Recoveries	3,803	-	-	1,945
Sale of Transportation Equipment	-	-	2,123	-
Sale of Other Property	-	-	506	923
Operating Transfers Out	(1,415,671)	(1,137,780)	(1,019,217)	(934,517)
Other Financing Uses	(23,179)	(14,485)	(758)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,044,101</u>	<u>214,117</u>	<u>1,871</u>	<u>2,868</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,975,506	(584,123)	32,490	(495,768)
<b>FUND BALANCES:</b>				
July 1,	4,491,073	5,307,050	5,248,038	5,747,725
Prior Period Adjustment	-	(228,602)	28,606	(1,842)
July 1, as Restated	<u>4,491,073</u>	<u>5,078,448</u>	<u>5,276,644</u>	<u>5,745,883</u>
Increase (decrease) in reserve for inventory	<u>1,626</u>	<u>(3,252)</u>	<u>(2,084)</u>	<u>(2,077)</u>
June 30,	<u>\$ 7,468,205</u>	<u>\$ 4,491,073</u>	<u>\$ 5,307,050</u>	<u>\$ 5,248,038</u>

\*SOURCE- PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. DAVID DILL, CPA, CGFM

JULIE M. UHER, CPA

H. I. HOLT, CPA  
FOUNDER (1915 - 1997)

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

Superintendent and School Board  
Lawrence County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County School District as of and for the year ended June 30, 2010, which collectively comprise Lawrence County School District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2010-4]

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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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. [Finding *2010-1* through Finding *2010-4*].

#### Compliance and Other Matters

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

We also noted a certain immaterial instance of noncompliance or other matter that we reported to management of the school district in a separate letter dated December 22, 2010, which is included in this report.

Lawrence County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Lawrence County School District's responses 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Halt & Associates PLLC*

December 22, 2010



HOLT & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
Lawrence County School District

Compliance

We have audited the compliance of the Lawrence County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Lawrence County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, Lawrence County School District complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings **2010-5** and **2010-6**.

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## Internal Control Over Compliance

The management of the Lawrence County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lawrence County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses, as defined above.

Lawrence County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Lawrence County School District's responses and, accordingly, we express no opinion on them.

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

*Holt & Associates PLLC*

December 22, 2010

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



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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JULIE M. UHER, CPA

H. I. Holt, CPA  
FOUNDER (1915 - 1997)

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

Superintendent and School Board  
Lawrence County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County School District as of and for the year ended June 30, 2010, which collectively comprise Lawrence County School District's basic financial statements and have issued our report thereon dated December 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,396 of classroom supply funds carried over from previous years.

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

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations.

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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 instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

**Finding #1:**

The school board was not furnished a financial statement of receipts and disbursements by funds for one month.

**Recommendation:**

In accordance with Section 37-9-18, the school board should be furnished a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior period.

**District Response:**

We will provide the required statements.

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

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

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

*Halt & Associates PLLC*

December 22, 2010

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**Lawrence County School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010**

**Section 1: Summary of Auditor's Results**

Financial Statements:

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued on the financial statements:                              | Unqualified |
| 2. Material noncompliance relating to the financial statements?                              | No          |
| 3. Internal control over financial reporting:  |             |
| a. Material weakness(es) identified?   | Yes         |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |

Federal Awards:

- |  |             |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                 | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weakness(es) identified?   | No          |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |
| 6. Any audit finding(s) reported as required by Section ____ .510 (a) of Circular A-133?     | Yes         |
| 7. Federal programs identified as major programs:  |             |
| a. Cluster: Nutrition Cluster<br>CFDA #10.553<br>CFDA #10.555                                |             |
| b. Cluster: Special Education Cluster<br>CFDA #84.027<br>CFDA #84.173<br>CFDA #84.391A       |             |

c. Safe and Drug Free Schools and Communities-National Programs (B)  
CFDA #84.184L

d. Title I Cluster:  
CFDA #84.010  
CFDA #84.389A

e. ARRA- State Fiscal Stabilization Fund - Education State Grants, Recovery Act  
CFDA #84.394A

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_ .315 (B) of OMB Circular A-133? Yes

## **Section 2: Financial Statement Findings:**

### **Significant Deficiencies Not Considered to be Material Weaknesses**

#### **Finding 2010-1**

Condition: During testing of expenditures, we noted purchase orders were prepared after receipt of the invoices and invoices were not being paid within the 45 day time limit.

Criteria: Management is responsible for establishing proper internal controls to ensure proper financial accountability and reporting of all funds.

Effect: Inadequate internal controls related to the expenditures and disbursements cycle could result in misappropriation or loss of assets.

Recommendation: Internal controls should be implemented to require purchase orders to be completed and approved before purchases are made. Invoices should be paid within 45 days to be paid timely.

#### **Finding 2010-2**

Condition: During our audit of cash, we noted that several bank accounts were confirmed that were not reported by the school district. It also appears that bank reconciliations are not being prepared monthly and on a timely basis..

Criteria: Management is responsible for establishing policies and procedures for the correct accounting of cash.

Effect: Inadequate internal controls related to cash could result in misappropriation or loss of assets. Also, a balance in the accounts payable clearing account is the result of transferring more monies than needed to cover expenditures. This could cause the district to lose investment income in the general district account and could cause the negative unrestricted fund balance.

Recommendation: The school district should regularly inquire of banks of any accounts with the school district's tax identification number to ensure all accounts are accounted for. Furthermore, bank reconciliations should be completed on a monthly basis to ensure proper accounting. By completing monthly bank reconciliations, the school district could also avoid the transfer of more monies than necessary.

### **Finding 2010-3**

Condition: During testing of activity funds, we noted that the receipts are not being completed accurately and deposits are not made timely.

Criteria: Management is responsible for establishing proper internal controls to ensure proper financial accountability and reporting of all funds.

Effect: Inadequate internal controls related to the activity fund cycle could result in misappropriation or loss of assets.

Recommendation: The school district should review its procedures and policies for activity funds and meet with all school personnel involved with the accounting of activity funds to ensure these are followed.

### **Significant Deficiency Considered to be a Material Weakness**

### **Finding 2010-4**

Condition: During testing of athletic funds, six out of the eight school event receipt forms tested were not completed correctly. On three of the eight forms, cash collections were not correct.

Criteria: Internal controls should be in place to ensure that all athletic forms are completed correctly and cash collections are proper. Management is responsible for establishing proper internal controls to ensure proper financial accountability and reporting of all funds.

Effect: Inadequate internal controls related to athletic funds' revenues and expenditures cycles could result in misappropriation or loss of assets.

Recommendation: The school district should review its procedures and policies for athletic funds and meet with all school personnel involved with the accounting of athletic funds to ensure these are followed.

### **Section 3: Federal Award Findings and Questioned Costs**

#### **Finding 2010-5**

Federal Program: Title I Cluster, CFDA # 84.010 and 84.389A

Compliance Requirement: Cash Management

Criteria: Cash Management federal compliance requirement

Effect: Both regular and ARRA Title I funds were drawn in excess of immediate needs. This also caused in excess of \$100 of interest to be earned on the ARRA fund.

Recommendation: Management should re-evaluate the procedures used to draw federal funds and consider using only accounts payable and estimated payroll rather than encumbrances.

#### **Finding 2010-6**

Federal Program: Special Education Cluster, CFDA #84.027, 84.173, 84.391A, and 84.392A

Compliance Requirement: Cash Management

Criteria: Cash Management federal compliance requirement

Effect: Both regular and ARRA funds were drawn in excess of immediate needs.

Recommendation: Management should re-evaluate the procedures used to draw federal funds and consider using only accounts payable and estimated payroll rather than encumbrances.



# LAWRENCE COUNTY SCHOOL DISTRICT

TONY DAVIS

SUPERINTENDENT OF EDUCATION

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## AUDITEE'S CORRECTIVE ACTION PLAN AND SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_\_\_315(b) of OMB Circular A-133, the Lawrence County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2010:

### Finding:

### Corrective Action Plan Details:

- |       |   |
|-------|---|
| 10-1: | <ul style="list-style-type: none"><li>a. Name of Contact Person Responsible for Corrective Action:<br/>Henrietta Peton</li><li>b. Corrective Action Planned:<br/>We will remind employees that no purchases may be made without purchase orders. We will pay invoices within 45 days.</li><li>c. Anticipated Completion Date:<br/>Immediately</li></ul>   |
| 10-2: | <ul style="list-style-type: none"><li>a. Name of Contact Person Responsible for Corrective Action:<br/>Kevin Garrett</li><li>b. Corrective Action Planned:<br/>Two of the three bank accounts were from booster clubs and have been closed. The third account was a fund set up to collect money for books in the name of a former teacher. It will be closed this year.</li><li>c. Anticipated Completion Date<br/>Immediately</li></ul> |
| 10-3: | <ul style="list-style-type: none"><li>a. Name of Contact Person Responsible for Corrective Action:<br/>Kevin Garrett</li><li>b. Corrective Action Planned:<br/>We held training in the fall for school personnel, provided by a former employee of the Mississippi Department of Audit. In addition, we will self-audit our activity funds.</li><li>c. Anticipated Completion Date:<br/>Immediately</li></ul>                             |



- 10-4:
- a. Name of Contact Person Responsible for Corrective Action:  
Kevin Garrett
  - b. Corrective Action Planned:  
We held training in the fall for school personnel, provided by a former employee of the Mississippi Department of Audit. In addition, we will self-audit our activity funds.
  - c. Anticipated Completion Date:  
Immediately
- 10-5:
- a. Name of Contact Person Responsible for Corrective Action:  
Kevin Garrett
  - d. Corrective Action Planned:  
We will no longer use encumbrances to calculate draws.
  - e. Anticipated Completion Date:  
Immediately
- 10-6:
- a. Name of Contact Person Responsible for Corrective Action:  
Kevin Garrett
  - f. Corrective Action Planned:  
We will no longer use encumbrances to calculate draws.
  - g. Anticipated Completion Date:  
Immediately

As required by Section \_\_\_.315(b) of OMB Circular A-133, the Lawrence County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2010:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
09-1:	Repeat Finding.
09-2:	Repeat Finding.
09-3:	Corrective action was taken.
09-4:	Corrective action was taken.