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LAWRENCE COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008

LAWRENCE COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008

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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, 2008, 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 Lawrence County School District, as of June 30, 2008, 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 September 9, 2009, 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

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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 on pages 4 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 35 through 37 are not a required part of the basic financial statements but are supplementary 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 supplementary 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 PLLC

Laurel, MS
September 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2008. 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 increased $286,179 in 2008 and $786,304 in 2007, (including the effects of prior period adjustments) which represents an increase of 3% and 8% respectively.

- General revenues account for $15,635,707 in 2008 and $15,134,575 in 2007, or 78% and 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,337,701 in 2008 and $4,470,303 in 2007 or 22% and 23% of total revenues, respectively.

- The District had expenses of $19,715,835 in 2008 and $18,886,634 in 2007; only $4,337,701 in 2008 and $4,470,303 in 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $15,635,707 and $15,134,575, respectively, were adequate to provide for these programs.

- Among major funds, the General Fund had $15,796,924 in revenues and $15,085,721 in expenditures in 2008; in 2007 there were $15,204,825 in revenues and $14,115,279 in expenditures. After net other financing uses of $739,620 and $664,376, the net change in fund balance for the General Fund, including the effect of prior period adjustment of a positive $22,172 and negative $743 in 2008 and 2007, the General Fund's fund balance decreased $6,245 in 2008, and increased $424,427 in 2007.

- Capital assets, net of accumulated depreciation, increased by $173,561 in 2008, primarily due to the completion of a new science building and various other items of mobile equipment and furniture and equipment, and increased by $1,206,066 in 2007.

- Long-term debt decreased by $51,953 in 2008, and increased $78,216 in 2007, which was primarily due to principal payments made during the fiscal year on the limited obligation bonds.

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.

The government-wide financial statements can be found on pages 13 - 14 of this report.

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 district's operations

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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 16 and 18 respectively.

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 balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

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. The District's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 19.

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 on pages 20 – 33 of this report.

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. This required supplementary information can be found on pages 35-37 of this report.

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, a Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund for the last four years, and a Schedule of Revenues, Expenditures and Changes in Fund Balances- all Governmental Funds for the last four years can be found on pages 39 - 43 of this report.

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 $11,524,098 as of June 30, 2008 and $11,237,919 as of June 30, 2007.

By far the largest portion of the District's net assets at June 30, 2008 and 2007 (55% and 54%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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 for the fiscal years ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
Current assets	$ 6,343,320	$ 5,569,054	14%
Other assets	60,617	46,426	31%
Capital assets, net	6,323,671	6,150,110	3%
Total assets	12,727,608	11,765,590	8%
Current liabilities	1,096,887	369,095	197%
Long-term debt outstanding	106,623	158,576	-33%
Total liabilities	1,203,510	527,671	128%
Net assets:			
Invested in capital assets, net of related debt	6,323,671	6,078,110	4%
Restricted	3,480,971	2,759,545	26%
Unrestricted	1,719,456	2,400,264	-28%
Total net assets	$ 11,524,098	$ 11,237,919	3%

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

- A change in July payroll procedures caused a significant change in current liabilities.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 and 2007 were $19,973,408 and $19,604,878, respectively. The total cost of all programs and services was $19,715,835 in 2008 and $18,886,634 in 2007. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	2008	2007	Percentage Change
Revenues:			
Program revenues			
Charges for services	$ 683,546	$ 730,643	-6%
Operating grants and contributions	3,654,155	3,739,660	-2%
General Revenues			
Taxes	4,505,362	4,290,187	5%
Unrestricted grants and contributions	10,637,273	10,215,639	4%
16th Section sources	242,709	259,247	-6%
Other	250,363	369,502	-32%
Total Revenues	19,973,408	19,604,878	2%
Expenses:			
Instruction	12,130,572	11,588,493	5%
Support Services	6,337,499	6,151,054	3%
Non-instructional	1,219,123	1,108,415	10%
16th Section	28,521	35,112	-19%
Interest on long-term liabilities	120	3,560	-97%
Total Expenses	19,715,835	18,886,634	4%
Increase in Net Assets	257,573	718,244	-64%
Net assets, July 1	11,237,919	10,451,615	8%
Prior period adjustment	28,606	68,060	-58%
Net assets, July 1 (as restated)	$11,524,098	$11,237,919	3%

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.

	2008		2007	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$ 12,130,572	$ (10,053,371)	$ 11,588,493	$ (9,239,456)
Support Services	6,337,499	(5,437,671)	6,151,054	(5,167,017)
Non-instructional	1,219,123	108,339	1,108,415	(791,015)
16th Section	28,521	4,689	35,112	784,717
Interest on long-term liabilities	120	(120)	3,560	(3,560)
	$ 19,715,835	$ (15,378,134)	$ 18,886,634	$ (14,416,331)

- Net cost of governmental activities in 2008 was $15,378,134 and in 2007 was $14,416,331 financed by general revenue, which is made up of primarily property taxes in 2008 and 2007 of $4,505,362 and $4,290,187, respectively, and state revenue of $10,467,760 in 2008 and $9,845,649 in 2007.

- Investment earnings accounted for funding of $229,753 in 2008 and $349,218 in 2007.

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.

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 $5,307,050 in 2008, an increase of $59,012 and $5,248,038 in 2007, a decrease of $499,687. The net change in fund balance for 2008 and 2007 includes the effects of prior period adjustments of a positive $28,606 and a negative $1,842, respectively. Of the fund balance, $4,643,326 or 87% in 2008 and $4,801,317 or 91% in 2007, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $663,724 or 13% in 2008 and $446,721 or 9% in 2007, is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for fiscal year 2008 was $6,245, including the effects of prior period adjustments of a positive $22,172. The fund balances in all other funds increased a total of $65,257.

BUDGETARY HIGHLIGHTS

While dealing with unprecedented fuel costs, the Lawrence County School District managed to end the 2007-2008 with a General Fund Balance decrease of less than $7,000. Local Ad Valorem collections were less than our request and were supplemented with a shortfall note of $228,602 in the 2008-2009 school year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's total capital assets as of June 30, 2008 were $13,795,829 and $13,431,372 as of June 30, 2007, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of $364,457 from the previous year. Total accumulated depreciation as of June 30, 2008 was $7,472,158 and total depreciation expense was $305,678. Total accumulated depreciation as of June 30, 2007 was $7,281,262. Total capital assets for 2008 and 2007, net were $6,323,671 and $6,150,110, respectively.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	$ 143,271	$ 143,271	0%
Construction in Progress	-	1,194,788	-100%
Buildings	5,029,782	3,723,462	35%
Improvements other than buildings	250,190	267,533	-6%
Mobile Equipment	786,057	680,855	15%
Furniture & Equipment	114,371	140,201	-18%
	$ 6,323,671	$ 6,150,110	3%

Debt Administration. At June 30, 2008 and 2007 the District had $106,623 and $158,576, respectively, in limited obligation bonds and other long-term debt outstanding.

	Outstanding Debt		Percentage
	2008	2007	Change
Limited obligation notes payable	$ -	$ 72,000	-100%
Compensated absences payable	106,623	86,576	23%
Total	$ 106,623	$ 158,576	-33%

CURRENT ISSUES

The Lawrence County School District is financially stable. The District is proud of its community support of the public schools. The District has answered by being conservative in asking for increases in ad valorem taxes. The state's funding formula, the Mississippi Adequate Education Program cuts state funding as local tax assessments increase. Local tax collections have not kept pace with these state reductions and the tax rate was increased. We are addressing declining enrollment and decreasing state funds.

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, 2008

Exhibit A

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 5,572,602
Other Receivables	267
Due from other governments	745,409
Inventories	25,042
Restricted assets	60,617
Capital assets, not being depreciated:	
Land	143,271
Capital assets, net of accumulated depreciation:	
Buildings	5,029,782
Improvements other than buildings	250,190
Mobile Equipment	786,057
Furniture and equipment	114,371
TOTAL ASSETS	12,727,608
LIABILITIES:	
Accounts payable and accrued liabilities	1,085,292
Unearned revenue	11,595
Long-term liabilities (due beyond one year)	
Non-capital related liabilities	106,623
TOTAL LIABILITIES	1,203,510
NET ASSETS:	
Invested in capital assets (net of related debt)	6,323,671
Restricted net assets:	
Expendable:	
Capital projects	427,807
School-based activities	2,844,289
Debt service	18,220
Forestry improvements	81,038
Unemployment benefits	49,000
Nonexpendable:	
Sixteenth section	60,617
Unrestricted:	1,719,456
TOTAL NET ASSETS	$ 11,524,098

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, 2008

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 12,130,572	$ 339,572	$ 1,737,629	$ -	$ (10,053,371)
Support Services	6,337,499	-	899,828	-	(5,437,671)
Non-instructional	1,219,123	310,764	1,016,698	-	108,339
Sixteenth Section	28,521	33,210	-	-	4,689
Interest on long-term liabilities	120	-	-	-	(120)
Total governmental activities	$ 19,715,835	$ 683,546	$ 3,654,155	$ -	(15,378,134)

General Revenues:	
Taxes:	
General purpose levies	4,505,343
Debt purpose levies	19
Unrestricted grants & contributions:	
State	10,467,760
Federal	158,981
Donations	10,532
Unrestricted investment earnings	229,753
Sixteenth Section Sources	242,709
Other	20,610
Total General Revenues	15,635,707
Change in Net Assets	257,573
Net Assets - Beginning	11,237,919
Prior Period Adjustment	28,606
Net Assets - Beginning-Restated	11,266,525
Net Assets - Ending	$ 11,524,098

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

LAWRENCE COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2008

Exhibit C

	MAJOR FUNDS			
	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 1,964,586	$ 2,693,719	$ 974,914	$ 5,633,219
Receivables	267	-	-	267
Due from other governments	432,630	-	312,779	745,409
Due from other funds	380,837	2,051	125,193	508,081
Advances to other funds	2,000	-	-	2,000
Inventories	-	-	25,042	25,042
TOTAL ASSETS	$ 2,780,320	$ 2,695,770	$ 1,437,928	$ 6,914,018
LIABILITIES & FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	$ 860,028	$ 2,834	$ 222,430	$ 1,085,292
Due to other funds	96,213	7,880	403,988	508,081
Advances from other funds	-	-	2,000	2,000
Unearned revenue	-	-	11,595	11,595
Total Liabilities	956,241	10,714	640,013	1,606,968
Fund Balances:				
Reserved for:				
Advances	-	-	2,000	2,000
Inventory	-	-	25,042	25,042
Capital projects	-	-	427,807	427,807
Unemployment benefits	-	-	49,000	49,000
Forestry improvement purposes	-	-	81,038	81,038
Debt service funds	-	-	18,220	18,220
Permanent funds	-	-	60,617	60,617
Unreserved:				
Undesignated, reported in:				
General fund	1,824,079	-	-	1,824,079
Special revenue fund	-	2,685,056	134,191	2,819,247
Total Fund Balances	1,824,079	2,685,056	797,915	5,307,050
TOTAL LIABILITIES & FUND BALANCE	$ 2,780,320	$ 2,695,770	$ 1,437,928	$ 6,914,018

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, 2008

EXHIBIT C-1

		Amount
Total Fund Balance - Governmental Funds	$	5,307,050
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 $7,472,158.		6,323,671
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(106,623)
Total Net Assets - Governmental Activities	$	11,524,098

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

LAWRENCE COUNTY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

Exhibit D

	MAJOR FUNDS			
	General Fund	16th Section Interest Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Sources	$ 4,987,978	$ 109,548	$ 319,067	$ 5,416,593
State Sources	10,649,965	-	548,370	11,198,335
Federal Sources	158,981	-	2,923,582	3,082,563
Sixteenth Section Sources	-	227,198	48,721	275,919
TOTAL REVENUES	15,796,924	336,746	3,839,740	19,973,410
EXPENDITURES				
Instruction	9,901,483	-	2,083,146	11,984,629
Support Services	5,184,238	-	1,236,912	6,421,150
Noninstructional Services	-	-	1,205,985	1,205,985
Sixteenth Section	-	4,541	23,980	28,521
Facilities Acquisition & Construction	-	-	228,733	228,733
Debt Service:				
Principal	-	-	72,000	72,000
Interest	-	-	1,773	1,773
TOTAL EXPENDITURES	15,085,721	4,541	4,852,529	19,942,791
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	711,203	332,205	(1,012,789)	30,619
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	77,166	2,270	939,781	1,019,217
Sale of Transportation Equipment	2,123	-	-	2,123
Sale of Other Property	506	-	-	506
Operating Transfers Out	(818,887)	-	(200,330)	(1,019,217)
Other financing uses	(528)	-	(230)	(758)
TOTAL OTHER FINANCING SOURCES (USES)	(739,620)	2,270	739,221	1,871
NET CHANGE IN FUND BALANCES	(28,417)	334,475	(273,568)	32,490
FUND BALANCES:				
July 1, 2007	1,830,324	2,350,581	1,067,133	5,248,038
Prior period adjustments	22,172	-	6,434	28,606
July 1, 2007, as restated	1,852,496	2,350,581	1,073,567	5,276,644
Increase (decrease) in reserve for inventory	-	-	(2,084)	(2,084)
June 30, 2008	$ 1,824,079	$ 2,685,056	$ 797,915	$ 5,307,050

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, 2008

Exhibit D-1

		Amount
Net Change in Fund Balances - Governmental Funds	$	32,490
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 $490,557 and the depreciation expense amounted to $305,678.		184,879
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		72,000
3. 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.		1,653
4. 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.		(11,318)
5. 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.		(2,084)
6. 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		(20,047)
Change in Net Assets of Governmental Activities	$	257,573

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, 2008

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	$ 23,394
Total Assets	$ 23,394
Liabilities	
Due to student clubs	$ 23,394
Total Liabilities	$ 23,394

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

(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 nonfiduciary 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 nonfiduciary 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.

(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 tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental, proprietary, 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 nonmajor governmental funds.

The school district reported the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

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

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets. The district's fiduciary funds include the following:

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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 recognized 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.

(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 Revenues 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.

(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 are reported at fair market value.

2. Receivables and payables

Activity 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 interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

3. Due from other Governments

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

4. Inventories

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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet 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 16th 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, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are reported at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are reported at estimated fair market value at the date of donation. The cost 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 following table and estimated useful lives in excess of two years.

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	Policy	Useful Life
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 classificati
as listed. See Note 5 for details.

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

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, proprietary and component unit 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.

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.

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

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.

(2) Cash and Cash Equivalents.

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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $5,633,219 and $23,394, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - $5,572,602 and restricted assets - $60,617. The restricted assets of $60,617 represent the cash 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 $6,321,934.

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, 2008, none of the district's bank balance of $6,321,934 was exposed to custodial credit risk.

(3) Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due To	Due From
Governmental funds:		
General fund	$ 96,213	$ 380,837
Sixteenth section interest fund	7,880	2,051
Other governmental funds	403,988	125,193
Totals	$ 508,081	$ 508,081

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

B. Advances To/From Other Funds..

	Advances To	Advances From
Governmental funds:		
General fund	$ 2,000	$ -
Other governmental funds	-	2,000
Totals	$ 2,000	$ 2,000

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.

C. Transfers in/out:

	Transfers In	Transfers Out
Governmental funds:		
General fund	$ 77,166	$ 818,887
Sixteenth section interest fund	2,270	-
Other governmental funds	939,781	200,330
Totals	$ 1,019,217	$ 1,019,217

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

(4) Restricted Assets.

The restricted assets represent the cash and cash equivalents, totaling $60,617 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.

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2008
Non-depreciable capital assets:						
Land	$ 143,271	$ -	$ -	$ -	$ -	$ 143,271
Construction in progress	1,194,788	228,733	-	(1,423,521)	-	-
Total non-depreciable	1,338,059	228,733	-	(1,423,521)	-	143,271
Depreciable capital assets:						
Buildings	8,709,961	-	-	1,423,521	-	10,133,482
Building improvements	505,478	-	-	-	-	505,478
Mobile equipment	2,292,190	240,371	111,755	-	-	2,420,806
Furniture and equipment	585,684	21,453	14,345	-	-	592,792
Total depreciable capital assets	12,093,313	261,824	126,100	1,423,521	-	13,652,558
Less Accumulated Depreciation for:						
Buildings	4,986,499	117,201	-	-	-	5,103,700
Building improvements	237,945	17,343	-	-	-	255,288
Mobile equipment	1,611,335	123,994	100,580	-	-	1,634,749
Furniture and equipment	445,483	47,140	14,202	-	-	478,421
Total Accumulated Depreciation	7,281,262	305,678	114,782	-	-	7,472,158
Total Depreciable Capital Assets, Net	4,812,051	(43,854)	11,318	1,423,521	-	6,180,400
Governmental Activities Capital Assets, Net	$ 6,150,110	$ 184,879	$ 11,318	$ -	$ -	$ 6,323,671

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$140,949
Support Services	141,615
Noninstructional	23,114
Total depreciation expense	$305,678

(6) Long-term Liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008
A. Limited obligation notes payable	$ 72,000	$ -	$ 72,000	$ -
B. Compensated absences payable	86,576	20,047	-	106,623
Total	$ 158,576	$ 20,047	$ 72,000	$ 106,623

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Oustanding
Limited obligations notes, Series 1998	4.98%	1/1/1998	7/15/2007	$ 1,787,000	-
Total				$ 1,787,000	$ -

B. 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.

(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, 2008, was 11.85% 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, 2008, 2007 and 2006 were $1,269,811, $1,224,371 and $1,137,284, 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,		
2009	$	23,017
2010		4,048
2011		2,254
2012		1,388
2013		1,058
2014-2018		1,540
2019-2023		450
	$	33,755

(9) Subsequent Events

Subsequent to the fiscal year ending, the district obtained a shortfall note for $228,602. The note will be due yearly in the amount of $83,724.49 with interest at 4.86% maturing in 2011.

(10) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

Explanations	Amount
1.) To correct beginning fund balance for a prior year expenditure charged in error	$ 28,606

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

Major Funds	Explanations	Amount
General	To correct beginning fund balance for a prior year expenditure charged in error	$22,172
Other governmental funds	To correct beginning fund balance for a prior year expenditure charged in error	6,434
	Total	$28,606

(11) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule- General Fund
For the Year Ended June 30, 2008

Schedule 1a

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local Sources	$ 4,915,938	$ 4,987,978	$ 4,987,978	$ 72,040	$ -
State Sources	10,662,842	10,649,965	10,649,965	(12,877)	-
Federal Sources	130,000	158,981	158,981	28,981	-
TOTAL REVENUES	15,708,780	15,796,924	15,796,924	88,144	-
EXPENDITURES					
Instruction	9,928,216	9,901,040	9,901,483	(27,176)	443
Support Services	5,060,487	5,155,059	5,184,238	94,572	29,179
Noninstructional Services	3,007	-	-	(3,007)	-
Facilities Acquisition & Const.	-	45,098	-	45,098	(45,098)
TOTAL EXPENDITURES	14,991,710	15,101,197	15,085,721	109,487	(15,476)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	717,070	695,727	711,203	(21,343)	(15,476)
OTHER FINANCIAL SOURCES (USES)					
Sale of transportation equipment	2,000	2,123	2,123	123	-
Sale of other property	2,000	506	506	(1,494)	-
Operating transfers in	1,211,191	1,191,299	77,166	(19,892)	(1,114,133)
Operating transfers out	(1,951,761)	(1,933,019)	(818,887)	18,742	1,114,132
Other financing uses	-	-	(528)	-	(528)
TOTAL OTHER FINANCING SOURCES (USES)	(736,570)	(739,091)	(739,620)	(2,521)	(529)
NET CHANGE IN FUND BALANCES	(19,500)	(43,364)	(28,417)	(23,864)	14,947
FUND BALANCE, JULY 1, 2007	1,227,700	1,821,910	1,830,324	594,210	8,414
Prior period adjustments	-	(528)	22,172	(528)	22,700
FUND BALANCE, JUNE 30, 2008	$ 1,208,200	$ 1,778,018	$ 1,824,079	$569,818	$ 46,061

LAWRENCE COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule- 16th Section Interest Fund
For the Year Ended June 30, 2008

Schedule 1b

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local Sources	$ 100,000	$ 109,548	$ 109,548	$ 9,548	$ -
Federal Sources	124,000	227,198	227,198	103,198	-
TOTAL REVENUES	224,000	336,746	336,746	112,746	-
EXPENDITURES					
Sixteenth Section	10,000	4,541	4,541	(5,459)	-
TOTAL EXPENDITURES	10,000	4,541	4,541	(5,459)	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	214,000	332,205	332,205	118,205	-
OTHER FINANCIAL SOURCES (USES)					
Operating transfers in	2,418	2,270	2,270	(148)	-
TOTAL OTHER FINANCING SOURCES (USES)	2,418	2,270	2,270	(148)	-
NET CHANGE IN FUND BALANCES	216,418	334,475	334,475	118,057	-
FUND BALANCE, JULY 1, 2007	2,300,000	2,350,581	2,350,581	50,581	-
Prior period adjustments	-	-	-	-	-
FUND BALANCE, JUNE 30, 2008	$ 2,516,418	$ 2,685,056	$ 2,685,056	$168,638	$ -

LAWRENCE COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	188,156
National School Lunch Program	10.555	650,243
Total Child Nutrition Cluster		838,399
Total U.S. Dept. of Agriculture		838,399
FEDERAL COMMUNICATIONS COMMISSION		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	68,837
Total Federal Communications Commission		68,837
U.S. DEPARTMENT OF EDUCATION		
Direct Programs:		
Fund for the Improvement of Education	84.215	200,851
Twenty-First Century Community Learning Centers	84.287	193,584
Total		394,435
Passed-Through Mississippi Dept. of Education:		
Title I Grants to Local Educational Agencies	84.010	643,653
Career and Technical Education-Basic Grants to States	84.048	28,112
Safe and Drug Free Schools and Communities - State Grants	84.186	12,907
State Grants for Innovative Programs	84.298	3,639
Education Technology State Grants	84.318	5,308
Rural Education	84.358	69,619
Improving Teacher Quality - State Grants	84.367	180,628
Total		943,866
Special Education Cluster:		
Special Education - Grants to States	84.027	500,083
Special Education - Preschool Grants	84.173	27,547
Total Special Education Cluster		527,630
Total Passed-Through MDE		1,471,496
Total U.S. Department of Education		1,865,931
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-Through Mississippi Department of Health and Human Services:		
Public Health and Social Services Emergency Fund	93.003	90,143

LAWRENCE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE		
Direct Programs:		
Part E Developing, Testing and Demonstrating Promising New Programs	16.541	199,336
Total for all Federal Awards		$ 3,062,646

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, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administrative	Other
Salaries and fringe benefits	$ 15,515,105	$ 11,625,853	$ 946,799	$ 1,186,639	$ 1,755,814
Other	4,427,686	1,575,093	242,653	80,364	2,529,576
Total	$ 19,942,791	$ 13,200,946	$ 1,189,452	$ 1,267,003	$ 4,285,390
Total number of students*	**2,041**				
Cost per student	$ 9,771	$ 6,468	$ 583	$ 621	$ 2,100

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

Instruction and Other Student Instructional Expenditures- includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type (all the 1000, 2100, and 2200 functional codes)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s)

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

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

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

"UNAUDITED"

	2008	2007*	2006*	2005*
REVENUES				
Local Sources	$ 4,987,978	$ 4,889,981	$ 4,887,443	$ 4,151,739
State Sources	10,649,965	9,955,993	9,586,465	8,976,422
Federal Sources	158,981	358,851	127,979	35,581
TOTAL REVENUES	15,796,924	15,204,825	14,601,887	13,163,742
EXPENDITURES				
Instruction	9,901,483	9,319,501	8,661,240	8,008,023
Support Services	5,184,238	4,766,425	4,513,075	3,924,908
Noninstructional Services	-	31	632	11
Facilities Acquisition & Construction	-	29,322	1,462	-
TOTAL EXPENDITURES	15,085,721	14,115,279	13,176,409	11,932,942
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	711,203	1,089,546	1,425,478	1,230,800
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	77,166	41,536	985,792	1,019,033
Insurance Loss Recoveries	-	1,945	-	-
Sale of Transportation Equipment	2,123	-	1,400	-
Sale of Other Property	506	923	-	-
Operating Transfers Out	(818,887)	(708,780)	(2,272,340)	(2,091,683)
Other Financing Uses	(528)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(739,620)	(664,376)	(1,285,148)	(1,072,650)
NET CHANGE IN FUND BALANCES	(28,417)	425,170	140,330	158,150
FUND BALANCES:				
July 1,	1,830,324	1,405,897	1,265,567	1,107,417
Prior Period Adjustment	22,172	(743)	-	-
July 1, as Restated	1,852,496	1,405,154	1,265,567	1,107,417
June 30,	$ 1,824,079	$ 1,830,324	$ 1,405,897	$ 1,265,567

*SOURCE- PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007*	2006*	2005*
REVENUES				
Local Sources	$ 5,416,593	$ 5,352,388	$ 5,319,954	$ 4,604,049
State Sources	11,198,335	10,425,069	10,118,106	9,408,950
Federal Sources	3,082,563	3,530,460	3,984,546	4,336,058
Sixteenth Section Sources	275,919	295,016	100,980	383,814
TOTAL REVENUES	19,973,410	19,602,933	19,523,586	18,732,871
EXPENDITURES				
Instruction	11,984,629	11,499,064	11,195,464	10,401,804
Support Services	6,421,150	6,080,237	6,181,734	5,957,482
Noninstructional Services	1,205,985	1,102,295	1,064,528	1,108,726
Sixteenth Section	28,521	35,112	43,557	38,097
Facilities Acquisition & Construction	228,733	1,311,592	86,818	14,700
Debt Service:				
Principal	72,000	68,000	283,586	163,186
Interest	1,773	5,269	23,398	28,540
TOTAL EXPENDITURES	19,942,791	20,101,569	18,879,085	17,712,535
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	30,619	(498,636)	644,501	1,020,336
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	1,019,217	934,517	2,573,092	2,352,657
Insurance Loss Recoveries	-	1,945	78,599	-
Sale of Transportation Equipment	2,123		1,400	-
Sale of Other Property	506	923	-	-
Sale of Timber	-	-	-	28,028
Operating Transfers Out	(1,019,217)	(934,517)	(2,573,092)	(2,352,657)
Other Financing Uses	(758)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,871	2,868	79,999	28,028
NET CHANGE IN FUND BALANCES	32,490	(495,768)	724,500	1,048,364
FUND BALANCES:				
July 1,	5,248,038	5,747,725	5,068,827	4,025,443
Prior Period Adjustment	28,606	(1,842)	(23,826)	-
July 1, as Restated	5,276,644	5,745,883	5,045,001	4,025,443
Increase (decrease) in reserve for inventory	(2,084)	(2,077)	(21,776)	(4,980)
June 30,	$ 5,307,050	$ 5,248,038	$ 5,747,725	$ 5,068,827

*SOURCE- PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

HOLT & ASSOCIATES, PLLC

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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, 2008, which collectively comprise Lawrence County School District's basic financial statements and have issued our report thereon dated September 9, 2009. 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding ***2008-1 to 2008-7*** to be significant deficiencies in internal control over financial reporting.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above in Findings ***2008-6 to 2008-7*** to be material weaknesses.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated September 9, 2009, which is included in this report.

Lawrence County School District's responses to the finding identified in our audit are described in the accompanying Auditee's Corrective Action Plan and Schedule of Prior Audit Findings. 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. However, this report is a matter of public record and its distribution is not limited.

Holt + Associates PLLC

September 9, 2009

HOLT & ASSOCIATES, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND 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 are applicable to each of its major federal programs for the year ended June 30, 2008. The 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 OM B 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Findings ***2008-8*** and ***2008-9***.

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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 the 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, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Findings ***2008-8*** and ***2008-9*** to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiencies in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, as Findings ***2008-8*** and ***2008-9*** to be material weaknesses.

Lawrence County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan and Schedule of Prior Audit Findings. 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. However, this report is a matter of public record and its distribution is not limited.

Holt + Associates PLLC

September 9, 2009

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

HOLT & ASSOCIATES, PLLC

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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, 2008, which collectively comprise Lawrence County School District's basic financial statements and have issued our report thereon dated September 9, 2009. 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 $22,152 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 the following instances of noncompliance related to incorrect or in appropriate functional level expenditure coding. The noncompliance is reported in finding number one below.

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 instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding #1:

Expenditures for a lawn mower were incorrectly coded to instruction rather than support services-operation and maintenance of plant.

Recommendation:
In accordance with Section 37-9-18(3)(b), code of expenditures should be correct and appropriate at the function level.

District Response:
We will code expenditures correctly.

Finding #2

One purchase was made from a sole-source provider; however, the purchase was not approved in the minutes of the board.

Recommendation:
In accordance with Section 31-7-13, MS Code Ann. (1972), all sole-source purchases must be approved in the minutes of the board.

District Response:
We will obtain Board approval for sole-source items.

Finding #3

The school district made a purchase without obtaining two competitive written bids prior to purchase.

Recommendation:
In accordance with Section 31-7-13, MS Code Ann. (1972), for all purchases that are more than $5,000 but not more than $25,000, the school district should obtain two competitive written quotes prior to purchase.

District Response:
We will comply with the statute.

Finding #4

According to Section 37-61-19, MS Code Ann. (1972), expenditures should be limited to those set forth in the respective school budgets. Fund 1120, District Maintenance, total expenditures exceeded the budgeted amount by $4,594. Fund 1903, New Hebron Athletic, total expenditures exceeded the budgeted amount by $3,699. Finally, Fund 2110, School Food Service, total expenditures exceeded the budgeted amount by $24.

Recommendation:
All transactions for the year should be taken into account before preparing the amended budget so that the budgeted expenditures are not exceeded.

District Response:
We used some obsolete accounting codes which were not picked up in the amended budget report. These codes have been eliminated and future reports will be cross-referenced for accuracy before approval.

Finding #5

Section 25-11-127, MS Code Ann. (1972), requires the school district to file with PERS, Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within five days of reemployment of any current PERS retiree. During our PERS test work, we noted that one current PERS retiree that had been reemployed by the school district, did not have the proper paperwork filed with PERS.

Recommendation:
Proper documentation should be completed within the set time allotted by Section 25-11-127, MS Code Ann. (1972).

District Response:
We will file the proper notice with PERS within the time prescribed.

Finding #6

Section 37-59-43(3), MS Code Ann. (1972), states, "All earnings from funds other than bond funds or bond sinking funds in excess of One Hundred Dollars ($100) in any fiscal year, ...shall be deposited in the district fund from which the investment was made..." During our test of cash, we noted that interest earned in excess of $100 in the pooled bank account was not allocated to the funds from which the investment was made.

Recommendation:
The school district is to comply with Section 37-59-43(3), MS Code Ann. (1972), which required earnings from funds in excess of $100 in any one fiscal year be deposited in the fund from which the investment was made.

District Response:
We will allocate interest earnings as required.

Finding #7

Section 37-9-21, MS Code Ann. (1972)., state "It shall be illegal for any superintendent, principal or other licensed employee to be elected by the school board if such superintendent, principal or licensed employee is related within the third degree by blood or marriage according to the common law to a majority of the members of the school board. No member of the school board shall vote for any person as a superintendent, principal or licensed employee who is related to him within the third degree by blood or marriage or who is dependent upon him in a financial way. Any contract entered into in violation of the provisions of this section shall be null and void." During our review of the related parties, we noted that a board member voted for his daughter as a licensed employee.

Recommendation:
The district should comply with Section 37-9-21, MS Code Ann. (1972), which requires that school board members refrain from voting for relatives within the third degree as licensed employees.

District Response:
We have identified the affected employees and will have the respective Board members recuse themselves from employment action.

Finding #8

Section 37-9-17, MS Code Ann. (1972), requires the school board to elect licensed and non-instructional employees recommended by the superintendent. In addition, Section 37-7-301(w), MS Code Ann. (1972), requires school boards to employ all non-instructional and non-certified employees and fix the duties and compensation pursuant to the recommendation of the superintendent. It was noted during testing of payroll, instances in which employees were not approved by the board and no documentation of board approval for salary schedules were available.

Recommendation:
The district should obtain the school board's approval of non-instructional and non-certified employees and fix the compensation pursuant to the recommendation of the superintendent in accordance with Section 37-9-17 and Section 37-7-301(w).

District Response:
We will have the Board approve employee compensation.

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

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

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

Holt + Associates PLLC

September 9, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWRENCE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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?	Yes
b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
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. Part E Developing, Testing and Demonstrating Promising New Programs, CFDA #16.541	
b. Title I Grants to Local Education Agency, CFDA#84.010	
8. The dollar threshold used to distinguish between type A and type B programs:	$300,000
9. Auditee qualified as a low-risk auditee?	Yes

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? No

Section 2: Financial Statement Findings:

Significant Deficiencies Not Considered to be Material Weaknesses

Finding 2008-1

Condition: The subsidiary ledger of fixed assets and depreciation schedules were not correct. Additions to capital assets were not added to the subsidiary ledger and the depreciation schedule. Also, the depreciation schedule has not been calculated correctly. Assets additions were added and depreciation was recalculated as part of the audit procedures.

Criteria: Internal controls should be in place to ensure that all additions to capital assets are properly included in the subsidiary ledger and the depreciation schedule, and that depreciation is being calculated correctly.

Effect: Depreciation was computed incorrectly and the subsidiary ledger does not reflect all capital assets of the school district.

Recommendation: Procedures should be in place to ensure that all additions to capital assets are correctly and timely recorded in the subsidiary ledger and that depreciation is being calculated correctly.

Finding 2008-2

Condition: The district did not maintain or use supporting documentation to process payroll expenditures for nonexempt employees.

Criteria: Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented.

Effect: Payments to nonexempt personnel were processed without adequate documentation. Payment of wages without adequate records could result in employees being improperly compensated.

Recommendation: Procedures should be in place to ensure that the district maintains adequate records for all nonexempt personnel to support payroll expenditures.

Finding 2008-3

Condition: During testing of expenditures, we noted the purchase orders were prepared after receipt of the invoices and invoices were not being paid within 45 days. Furthermore, in activity funds, principals were not signing requisitions before purchases and purchase amounts did not match requisitions.

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.

Finding 2008-4

Condition: During our test work of food service revenue, we noted that proper reimbursement was not requested by the district. Also, signatures were not completed on daily sales reports. Furthermore, the district did not have a proper backup plan when systems were offline.

Criteria: Internal controls should be in place to ensure that all reimbursement requests are the proper amount and all documentation is properly completed.

Effect: The district did not receive all reimbursement that it was entitled. Inadequate internal controls related to food service processes could result in misappropriation or loss of assets.

Recommendation: Internal controls should be implemented to ensure that proper revenue is being collected by the district and that all documentation is properly completed.

Finding 2008-5

Condition: We found that the district does not have a formal written policy for formal risk assessment or a fraud prevention program in place. The district also does not have a formal written activity funds policy.

Criteria: Management is responsible for ensuring that proper policies and procedures have been implemented to ensure proper internal controls.

Effect: Inadequate internal controls could result in misappropriation or loss of assets.

Recommendation: The district should update the board policy and procedures to include activity funds and anti-fraud policies to ensure proper internal controls.

Significant Deficiencies Considered a Material Weaknesses

Finding 2008-6

Condition: There is a lack of segregation of duties in the accounting functions of the school district.

Criteria: Management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: A lack of segregation of duties does not allow management to detect or prevent fraud in a timely manner.

Recommendation: The district should segregate the accounting functions to allow for proper internal controls.

Finding 2008-7

Condition: An effective internal control system requires timely and accurate bank reconciliations. We found that two accounts had not been reconciled after reports were submitted to the Department of Education.

Criteria: Internal controls should be in place to ensure that all bank reconciliations are completed in a timely manner to ensure that assets are not being misappropriated.

Effect: Bank reconciliations not completed in a timely manner could result in misappropriation or loss of assets.

Recommendation: Internal controls should be implemented so bank reconciliations are completed in a timely period to prevent or detect possible errors or fraud.

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiencies Considered to be Material Weaknesses

Finding 2008-8

Federal Program: Part E Developing, Testing and Demonstrating Promising New Programs, CFDA #16.541

Compliance Requirement: Reporting and Non-Compliance

Condition: In testing twenty-five applications for control procedures over eligibility and reporting, ten applicants had missing documentation. However, some of this was due to parents not cooperating.

Recommendation: All documentation should be obtained in a timely manner in accordance with grant requirements.

Finding 2008-9

Federal Program: Part E Developing, Testing and Demonstrating Promising New Programs, CFDA #16.541

Compliance Requirement: Reporting and Non-Compliance

Condition: In testing for proper reporting compliance, it was determined that reports were not completed in a timely manner causing delay in funding and non-compliance with the federal program.

Recommendation: All reporting should be completed in a timely manner in accordance with grant requirements.

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

LAWRENCE COUNTY SCHOOL DISTRICT
TONY DAVIS
SUPERINTENDENT OF EDUCATION
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GEORGE ALLEN THURMAN, DIST. 1 - MAXIE BOUTWELL, PRESIDENT, DIST. 2 - TONY THAMES, SECRETARY, DIST. 3 - SCOTT BRYAN, DIST. 4 - MARJORIE LUCAS, VICE PRESIDENT, DIST. 5

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, 2008:

Finding:		Corrective Action Plan Details:
08-1:	a.	Name of Contact Person Responsible for Corrective Action: Henrietta Peyton
	b.	Corrective Action Planned: All capital assets will be recorded and depreciation will be correctly calculated.
	c.	Anticipated Completion Date: Immediately
08-2:	a.	Name of Contact Person Responsible for Corrective Action: Henrietta Peyton
	b.	Corrective Action Planned: Reports from time clock are now being utilized for the payment of non-exempt employees
	c.	Anticipated Completion Date Time clocks were fully implemented July 1, 2008. A handful of non-exempt employees continued to have their pay "annualized", but reconciled to time clock reports from July 1, 2008 through June 30, 2009. All non-exempt employees are paid fully from time clock reports effective July 1, 2009.
08-3:	a.	Name of Contact Person Responsible for Corrective Action: Kevin Garrett
	b.	Corrective Action Planned: Purchase orders will be prepared in advance of purchases. Invoices will be paid within 45 days. Administration will monitor transactions from Activity Funds to assure compliance.
	c.	Anticipated Completion Date: Immediately

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08-4:

a. Name of Contact Person Responsible for Corrective Action:
Kevin Garrett

b. Corrective Action Planned:
Paper rolls of students will be prepared at least monthly for all schools. In the case of computer problems, Administration will assist in reconciling meals as to assure proper claiming for meals. Signatures will be added to daily sales reports.

c. Anticipated Completion Date:
Immediately

08-5:

a. Name of Contact Person Responsible for Corrective Action:
Tony Davis

b. Corrective Action Planned:
The District is in the process on reviewing its policy manual. Policies for risk assessment and Activity Funds will be added during the review process.

c. Anticipated Completion Date:
June 30, 2010

08-6:

a. Name of Contact Person Responsible for Corrective Action:
Kevin Garrett

b. Corrective Action Planned:
The District will fill an open position, which will allow for further segregation of duties. With the size of our District, Management acknowledges that optimal segregation of duties may not be possible. When the individual is fully trained, duties will be segregated to the extent possible.

c. Anticipated Completion Date:
June 30, 2010

08-7:

a. Name of Contact Person Responsible for Corrective Action:
Kevin Garrett

b. Corrective Action Planned:
With the filling of the open position, duties will be reassigned and bank reconciliations will be completed on a timely basis. In the meantime, current staff will make bank reconciliation a priority.

c. Anticipated Completion Date:
Immediately

08-8:

a. Name of Contact Person Responsible for Corrective Action:
Angela Calcote

b. Corrective Action Planned:
To the extent possible with optional parent information, the District will obtain proper parent documentation.

c. Anticipated Completion Date:
Immediately

08-9:	a.	Name of Contact Person Responsible for Corrective Action: Angela Calcote
	b.	Corrective Action Planned: Required reports will be completed in a timely manner.
	c.	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, 2007:

Finding:	Corrective Action Taken:
07-1:	Repeat finding.
07-2:	Repeat finding.