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LAMAR COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

Charles L. Shivers, CPA
Ridgeland, MS

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2011, which collectively comprise the Lamar County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lamar County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District, as of June 30, 2011, 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*, I have also issued my report dated July 10, 2012, on my consideration of the Lamar County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, 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, I do not express an opinion or provide any assurance on it.

Charles L. Shivers, CPA

Ridgeland, MS
July 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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LAMAR COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Lamar County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$5,922,792, including a prior period adjustment of (\$4,673), which represents a 12.9% increase from fiscal year 2010. Total net assets for 2010 increased \$1,380,470, including a prior period adjustment of (\$46,919), which represents a 3.1% increase from fiscal year 2009.
- General revenues amounted to \$62,748,926 and \$61,025,685, or 80.4% and 82.2% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$15,314,356, or 19.6% of total revenues for 2011, and \$13,203,154, or 17.8% of total revenues for 2010.
- The District had \$72,135,817 and \$72,801,450 in expenses for fiscal years 2011 and 2010; only \$15,314,356 for 2011 and \$13,203,154 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$62,748,926 for 2011 and \$61,025,685 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$56,236,210 in revenues and \$52,052,045 in expenditures for 2011, and \$55,256,638 in revenues and \$53,711,322 in expenditures in 2010. The General Fund's fund balance increased by \$3,019,405 from 2010 to 2011, and increased by \$40,183 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$449,740 for 2011 and decreased by \$2,452,461 for 2010.
- Long-term debt decreased by \$2,715,307 for 2011 and decreased by \$2,789,413 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net 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 periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction,

support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$51,831,091 as of June 30, 2011.

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.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 13,959,946	\$ 13,295,397	5.00 %
Restricted assets	15,557,594	13,190,669	17.94 %
Capital assets, net	69,578,706	70,028,446	-0.64 %
Total assets	99,096,246	96,514,512	2.67 %
Current liabilities	1,069,355	1,695,106	-36.92 %
Long-term debt outstanding	46,195,800	48,911,107	-5.55 %
Total liabilities	47,265,155	50,606,213	-6.60 %
Net assets:			
Invested in capital assets, net of related debt	24,258,680	22,065,393	9.94 %
Restricted	22,264,171	21,255,033	4.75 %
Unrestricted	5,308,240	2,587,873	105.12 %
Total net assets	\$ 51,831,091	\$ 45,908,299	12.90 %

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

- Decrease in net capital assets in the amount of \$449,740.
- The principal retirement of \$2,770,792 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$78,063,282 and \$74,228,839, respectively. The total cost of all programs and services was \$72,135,817 for 2011 and \$72,801,450 for 2010.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,735,583	\$ 2,722,482	0.48 %
Operating grants and contributions	12,578,773	10,480,672	20.02 %
General revenues:			
Property taxes	24,258,181	23,716,162	2.29 %
Grants and contributions not restricted	35,947,606	35,463,205	1.37 %
Investment earnings	13,487	70,302	(80.82) %
Sixteenth section sources	1,884,825	1,776,016	6.13 %
Other	644,827	0	N/A %
Total revenues	78,063,282	74,228,839	5.17 %
Expenses:			
Instruction	42,611,378	43,547,205	(2.15) %
Support services	22,975,617	23,115,806	(0.61) %
Non-instructional	4,257,659	3,784,311	12.51 %
Sixteenth section	50,158	44,108	13.72 %
Interest and other expenses on long-term liabilities	2,241,005	2,310,020	(2.99) %
Total expenses	72,135,817	72,801,450	(0.91) %
Increase (Decrease) in net assets	5,927,465	1,427,389	315.27 %
Net Assets, July 1, as originally reported	45,908,299	44,527,829	3.10 %
Prior Period Adjustment	(4,673)	(46,919)	(90.04) %
Net Assets, July 1, as restated	45,903,626	44,480,910	3.20 %
Net Assets, June 30	\$ 51,831,091	\$ 45,908,299	12.90 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 42,611,378	\$ 43,547,205	(2.15) %
Support services	22,975,617	23,115,806	(0.61) %
Non-instructional	4,257,659	3,784,311	12.51 %
Sixteenth section	50,158	44,108	13.72 %
Interest and other expenses on long-term liabilities	2,241,005	2,310,020	(2.99) %
Total expenses	\$ 72,135,817	\$ 72,801,450	(0.91) %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (34,253,905)	\$ (37,126,893)	(7.74) %
Support services	(20,550,900)	(20,528,211)	0.11 %
Non-instructional	274,507	410,936	(33.20) %
Sixteenth section	(50,158)	(44,108)	13.72 %
Interest and other expenses on long-term liabilities	(2,241,005)	(2,310,020)	(2.99) %
Total net (expense) revenue	\$ (56,821,461)	\$ (59,598,296)	(4.66) %

- Net cost of governmental activities (\$56,821,461 for 2011 and \$59,598,296 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$24,258,181 for 2011 and \$23,716,162 for 2010) and state and federal revenues (\$35,947,606 for 2011 and \$35,463,205 for 2010). In addition, there was \$1,884,825 and \$1,776,016 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$13,487 for 2011 and \$70,302 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$28,651,917, an increase of \$3,637,336, which includes a prior period adjustment of (\$11,670) and an increase in inventory of \$21,799. \$4,460,330 or 15.6% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$24,191,587 or 84.4% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,019,405, which includes a prior period adjustment of \$18,118. The fund balance of Other Governmental Funds showed an increase in the amount of \$80,426, which includes an increase in reserve for inventory of \$21,799. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
16th Section Principal Fund	\$ 537,505

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$95,763,075, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount

represents an increase of \$1,761,975 from 2010. Total accumulated depreciation as of June 30, 2011, was \$26,184,369, and total depreciation expense for the year was \$2,702,126, resulting in total net capital assets of \$69,578,706.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	\$ 452,440	\$ 452,440	0.00 %
Construction in Progress	433,480	25,367	1,608.83 %
Buildings	62,270,138	63,001,923	(1.16) %
Improvements other than buildings	3,323,522	3,506,824	(5.23) %
Mobile equipment	2,293,799	1,639,348	39.92 %
Furniture and equipment	805,327	1,402,544	(42.58) %
Total	\$ 69,578,706	\$ 70,028,446	(0.64) %

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

Debt Administration. At June 30, 2011, the District had \$46,195,800 in outstanding long-term debt, of which \$2,959,293 is due within one year. The liability for compensated absences increased \$55,485 from the prior year.

The District maintains an AAA bond rating.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
General obligation bonds payable	\$ 36,510,000	\$ 38,250,000	(4.55) %
Limited obligation bonds payable	6,540,000	7,235,000	(9.61) %
Certificates of participation payable	2,195,000	2,325,000	(5.59) %
Obligations under energy efficiency leases	75,026	153,053	(50.98) %
Installment purchase loans payable	132,082	259,847	(49.17) %
Compensated absences payable	743,692	688,207	8.06 %
Total	\$ 46,195,800	\$ 48,911,107	(5.55) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lamar County School District, P O Box 609, Purvis, MS 39475.

FINANCIAL STATEMENTS

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Lamar County School District
Statement of Net Assets
June 30, 2011

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 10,245,530
Due from other governments	3,612,062
Accrued interest receivable	10,349
Other receivables, net	588
Inventories	91,417
Restricted assets (Note 4)	15,557,594
Non-depreciable capital assets (Note 5)	885,920
Depreciable capital assets, net (Note 5)	68,692,786
Total Assets	<u>99,096,246</u>
Liabilities	
Accounts payable and accrued liabilities	852,255
Interest payable on long-term liabilities	203,732
Other payables	13,368
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,790,026
Non-capital related liabilities	169,267
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	42,530,000
Non-capital related liabilities	706,507
Total Liabilities	<u>47,265,155</u>
Net assets	
Invested in capital assets, net of related debt	24,258,680
Restricted net assets	
Expendable	
School-based activities	2,900,708
Debt service	863,494
Forestry improvements	220,737
Unemployment benefits	176,000
Non-expendable	
Sixteenth section	18,103,232
Unrestricted	<u>5,308,240</u>
Total Net Assets	<u>\$ 51,831,091</u>

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

Lamar County School District
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 42,611,378	1,063,256	7,294,217	(34,253,905)
Support services	22,975,617	10,757	2,413,960	(20,550,900)
Non-instructional	4,257,659	1,661,570	2,870,596	274,507
Sixteenth section	50,158			(50,158)
Interest and other expenses on long-term liabilities	2,241,005			(2,241,005)
Total Governmental Activities	\$ 72,135,817	\$ 2,735,583	\$ 12,578,773	\$ (56,821,461)
General Revenues				
Taxes				
General purpose levies				21,175,871
Debt purpose levies				3,082,310
Unrestricted grants and contributions				
State				35,797,606
Federal				150,000
Unrestricted investment earnings				13,487
Sixteenth section sources				1,884,825
Other				644,827
Total General Revenues				62,748,926
Changes in Net Assets				
Changes in Net Assets				
5,927,465				
Net Assets - Beginning, as originally reported				
45,908,299				
Prior Period Adjustments (Note 10)				
(4,673)				
Net Assets - Beginning -as restated				
45,903,626				
Net Assets - Ending				
\$ 51,831,091				

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

Lamar County School District
 Balance Sheet - Governmental Funds
 June 30, 2011

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	IDEA Part B Fund	16th Section Principal Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents (Note 2)	\$ 8,352,791	4,768	728,897	3,557,195	12,643,651
Cash with fiscal agent (Note 2)				73,470	73,470
Investments (Note 2)			12,580,769	505,234	13,086,003
Due from other governments	1,326,091	972,255		1,313,716	3,612,062
Accrued interest receivable			10,349		10,349
Other receivables, net	588				588
Due from other funds (Note 3)	1,759,774				1,759,774
Advances to other funds (Note 3)			4,807,258		4,807,258
Inventories				91,417	91,417
Total Assets	11,439,244	977,023	18,127,273	5,541,032	36,084,572
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	447,972	4,768		399,515	852,255
Due to other funds (Note 3)		972,255		787,519	1,759,774
Advances from other funds (Note 3)	4,807,258				4,807,258
Other payables				13,368	13,368
Total Liabilities	5,255,230	977,023	0	1,200,402	7,432,655
Fund Balances					
Nonspendable					
Inventory				91,417	91,417
Permanent fund principal			13,295,974		13,295,974
Advances			4,807,258		4,807,258
Restricted					
Debt service				1,067,226	1,067,226
Forestry improvements				220,737	220,737
Unemployment benefits				176,000	176,000
Grant activities				912,521	912,521
Committed					
Purvis High School athletic lighting				102,702	102,702
Future building costs	191,439				191,439
Assigned					
Building renovations and improvements				1,082,754	1,082,754
School activities	607,084				607,084
Future building costs	210,337				210,337
Deficit state funding	500,000				500,000
Insurance deductibles	199,722				199,722
Other purposes	15,102		24,041	687,273	726,416
Unassigned	4,460,330				4,460,330
Total Fund Balances	6,184,014	0	18,127,273	4,340,630	28,651,917
Total Liabilities and Fund Balances	\$ 11,439,244	977,023	18,127,273	5,541,032	36,084,572

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

Lamar County School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 28,651,917
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the governmental funds, net of accumulated depreciation of \$26,184,369.	69,578,706
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(46,195,800)
Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(203,732)</u>
Total Net Assets - Governmental Activities	<u>\$ 51,831,091</u>

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

Lamar County School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2011

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	IDEA Part B Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues					
Local sources	\$ 22,507,052			4,694,347	27,201,399
State sources	33,579,158			2,899,419	36,478,577
Federal sources	150,000	1,617,156		10,086,498	11,853,654
Sixteenth section sources			932,180	952,645	1,884,825
Total Revenues	56,236,210	1,617,156	932,180	18,632,909	77,418,455
Expenditures					
Instruction	31,490,170	1,051,427		8,422,924	40,964,521
Support services	19,675,149	565,227		2,959,504	23,199,880
Noninstructional services	326,360	502		3,794,591	4,121,453
Sixteenth section				50,158	50,158
Facilities acquisition and construction	287,450			146,030	433,480
Debt service					
Principal (Note 6)	55,011			2,715,781	2,770,792
Interest	213,465			2,040,164	2,253,629
Other	4,440			2,825	7,265
Total Expenditures	52,052,045	1,617,156	0	20,131,977	73,801,178
Excess (Deficiency) of Revenues Over Expenditures	4,184,165	0	932,180	(1,499,068)	3,617,277
Other Financing Sources (Uses)					
Insurances loss recoveries	204				204
Sale of transportation equipment	9,726				9,726
Operating transfers in (Note 3)	1,154,567			2,862,042	4,016,609
Operating transfers out (Note 3)	(2,347,375)		(364,887)	(1,304,347)	(4,016,609)
Total Other Financing Sources (Uses)	(1,182,878)	0	(364,887)	1,557,695	9,930
Net Change in Fund Balances	3,001,287	0	567,293	58,627	3,627,207
Fund Balances					
July 1, 2010, as originally reported	3,164,609	0	17,589,768	4,260,204	25,014,581
Prior period adjustments (Note 10)	18,118		(29,788)		(11,670)
July 1, 2010, as restated	3,182,727	0	17,559,980	4,260,204	25,002,911
Increase in reserve for inventory				21,799	21,799
June 30, 2011	\$ 6,184,014	0	18,127,273	4,340,630	28,651,917

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

Lamar 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, 2011

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 3,627,207
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 \$2,344,024 and the depreciation expense amounted to \$2,702,126.	(358,102)
The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets.	2,770,792
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.	19,889
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds but is reported as a reduction of net capital assets on the Statement of Activities, along with any gain or loss.	(98,635)
An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	21,799
Expenses for compensated absences reported in the Statement of Activities do not require use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(55,485)</u>
Changes in Net Assets of Governmental Activities	<u>\$ 5,927,465</u>

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

Lamar County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 3,549,741
Accrued interest receivable	<u>3,251</u>
Total Assets	<u><u>3,552,992</u></u>
Liabilities	
Accounts payable and accrued liabilities	3,329,696
Due to student clubs	<u>223,296</u>
Total Liabilities	<u><u>\$ 3,552,992</u></u>

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

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Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

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

Blended component unit.

The Lamar County Public School Improvement Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Corporation is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

C. Government-wide and Fund Financial Statements

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of 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 asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
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, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

IDEA Part B Fund - This special revenue fund is used to account for the federally funded special education program.

16th Section Principal Fund - This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing - This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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 inter-fund activity has been eliminated from the government-wide statements.

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

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

Investments for the district, as well as for its component units, are reported at fair market value.

2. Receivables and payables

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

	Capitalization Policy	Estimated Useful Life
Furniture and equipment	5,000	3-7 years

7. **Compensated Absences**

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

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

8. **Long-term Liabilities**

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

9. **Fund Balances**

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is documented in the board minutes of the School Board.

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

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

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

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,643,651 and \$3,549,741, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$73,470.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Investments

As of June 30, 2011, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificate of Deposit	N/A	Less than 1 year	\$ 246,125
Fidelity US Government Fund	Not Rated	Less than 1 year	880,965
US Treasury Notes	N/A	Less than 1 year	503,065
US Treasury Bills	N/A	Less than 1 year	84,943
Municipal Bonds	A1 to Aa2	1 to 5 years	2,327,712
US Government Agency Bonds			
Federal National Mortgage Association	Aaa	Less than 1 year	962,321
Federal National Mortgage Association	Aaa	1 to 5 years	804,430
Federal National Mortgage Association	Aaa	5 to 10 years	150,167
Federal Home Loan Mortgage Corporation	Aaa	Less than 1 year	35,004
Federal Home Loan Mortgage Corporation	Aaa	1 to 5 years	1,564,910
Federal Home Loan Mortgage Corporation	Aaa	5 to 10 years	248,100
Federal Home Loan Bank	Aaa	Less than 1 year	851,605
Federal Home Loan Bank	Aaa	1 to 5 years	1,628,015
Federal Home Loan Bank	Aaa	5 to 10 years	1,001,950
Federal Farm Credit Bank	Aaa	1 to 5 years	364,221
Collateralized Mortgage Obligations			
Federal Home Loan Bank	Aaa	1 to 5 years	347,360
National Credit Union Association	Aaa	5 to 10 years	235,320
Mortgage Backed Securities			
Federal National Mortgage Association	Aaa	5 to 10 years	429,499
Federated US Treasury Cash Reserve	AAAm	Less than 1 year	420,291
Total Investments			<u>13,086,003</u>

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Major fund - IDEA Part B Fund	\$ 972,255
	Other governmental funds	787,519
		<u>\$ 1,759,774</u>

The purpose of the interfund loans was to eliminate deficit cash balance in certain federal fund as part of normal closing entries.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Major fund - 16th Section Principal Fund	General Fund	\$ <u>4,807,258</u>

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 398,548	\$ 192,290	\$ 590,838
2013	378,548	176,348	554,896
2014	361,798	161,207	523,005
2015	349,298	146,735	496,033
2016	349,298	132,763	482,061
2017 - 2021	1,296,490	481,635	1,778,125
2022 - 2026	1,034,988	250,417	1,285,405
Thereafter	638,290	58,422	696,712
Total	<u>\$ 4,807,258</u>	<u>\$ 1,599,817</u>	<u>\$ 6,407,075</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,347,375
Major fund - 16th Section Principal Fund	General Fund	364,887
Other governmental funds	General Fund	789,680
Other governmental funds	Other governmental funds	514,667
Total		<u>\$ 4,016,609</u>

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

The transfer out of the General Fund was for the purpose of funding the vocational program, construction funds and the worker's compensation fund in the Other Governmental Funds. The transfer from the 16th Section Principal Fund was to transfer interest income to the General Fund. The transfer from the Other Governmental Funds was for indirect cost.

Note 4 – Restricted Assets

The restricted assets represent the investment balance, totaling \$12,580,769, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash, cash with fiscal agent and investment balances, totaling \$2,398,121, \$73,470 and \$505,234, respectively, of various funds which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2011
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 452,440					452,440
Construction in progress	25,367	433,480		(25,367)		433,480
Total non-depreciable capital assets	<u>477,807</u>	<u>433,480</u>	<u>0</u>	<u>(25,367)</u>	<u>0</u>	<u>885,920</u>
<u>Depreciable capital assets:</u>						
Buildings	76,881,969	754,090		25,367		77,661,426
Improvements other than buildings	4,798,500	52,000	(75,000)			4,775,500
Mobile equipment	5,113,087	1,015,112	(347,154)			5,781,045
Furniture and equipment	6,729,737	89,342	(168,044)		8,149	6,659,184
Total depreciable capital assets	<u>93,523,293</u>	<u>1,910,544</u>	<u>(590,198)</u>	<u>25,367</u>	<u>8,149</u>	<u>94,877,155</u>
<u>Less accumulated depreciation for:</u>						
Buildings	13,880,046	1,511,242				15,391,288
Improvements other than buildings	1,291,676	182,052	(21,750)			1,451,978
Mobile equipment	3,473,739	325,945	(312,458)			3,487,246
Furniture and equipment	5,327,193	682,887	(157,375)		1,152	5,853,857
Total accumulated depreciation	<u>23,972,654</u>	<u>2,702,126</u>	<u>(491,563)</u>	<u>0</u>	<u>1,152</u>	<u>26,184,369</u>
Total depreciable capital assets, net	<u>69,550,639</u>	<u>(791,582)</u>	<u>(98,635)</u>	<u>25,367</u>	<u>6,997</u>	<u>68,692,786</u>
Governmental activities capital assets, net	<u>\$ 70,028,446</u>	<u>(358,102)</u>	<u>(98,635)</u>	<u>0</u>	<u>6,997</u>	<u>69,578,706</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,818,050
Support services	726,071
Non-instructional	158,005
Total depreciation expense - Governmental activities	<u>\$ 2,702,126</u>

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Purvis HS Athletic Lighting Project	\$ 146,030	\$ 102,275
Longleaf Elementary Construction	287,450	*
Total governmental activities	<u>433,480</u>	<u>102,275</u>

* Construction and the funding for this project occurred during the 2012 fiscal year. See Subsequent Event Note at Note 14.

Construction projects included in governmental activities are funded with local funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	\$ 38,250,000		1,740,000	36,510,000	1,860,000
B. Limited obligation bonds payable	7,235,000		695,000	6,540,000	720,000
C. Certificates of participation payable	2,325,000		130,000	2,195,000	135,000
D. Obligations under energy efficiency leases	153,053		78,027	75,026	75,026
E. Installment purchases loans payable	259,847		127,765	132,082	132,082
F. Compensated absences payable	688,207	55,485		743,692	37,185
Total	<u>\$ 48,911,107</u>	<u>55,485</u>	<u>2,770,792</u>	<u>46,195,800</u>	<u>2,959,293</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, series 1998	3.75-4.80	10/1/1998	6/30/2013	\$ 3,545,000	\$ 645,000
2. General obligation bonds, series 2005	3.5-5.0	6/1/2005	6/1/2025	43,000,000	35,865,000
Total				<u>\$ 46,545,000</u>	<u>\$ 36,510,000</u>

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

1. General obligation refunding bonds, series 1998:

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 315,000	\$ 23,242	\$ 338,242
2013	330,000	7,920	337,920
Total	<u>\$ 645,000</u>	<u>\$ 31,162</u>	<u>\$ 676,162</u>

This debt will be retired from the Series 1998 Refunding Bond Debt Fund.

The district has pledged state appropriations for EEF School Buildings and Buses in the amount of \$216,955. The purpose of the pledge is to repay the general obligation refunding bonds of the district. The pledge will remain in effect through 2013. The amount of the pledge is the total amounts of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

2. General obligation bonds, series 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,545,000	\$ 1,525,431	\$ 3,070,431
2013	1,665,000	1,445,181	3,110,181
2014	1,780,000	1,359,056	3,139,056
2015	1,915,000	1,266,681	3,181,681
2016	2,250,000	1,173,806	3,423,806
2017 – 2021	13,385,000	4,347,968	17,732,968
2022 – 2025	<u>13,325,000</u>	<u>1,196,479</u>	<u>14,521,479</u>
Total	<u>\$ 35,865,000</u>	<u>\$ 12,314,602</u>	<u>\$ 48,179,602</u>

This debt will be retired from the 2005 Bond Retirement Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 1,860,000	\$ 1,548,673	\$ 3,408,673
2013	1,995,000	1,453,101	3,448,101
2014	1,780,000	1,359,056	3,139,056
2015	1,915,000	1,266,681	3,181,681
2016	2,250,000	1,173,806	3,423,806
2017 – 2021	13,385,000	4,347,968	17,732,968
2022 – 2025	<u>13,325,000</u>	<u>1,196,479</u>	<u>14,521,479</u>
Total	<u>\$ 36,510,000</u>	<u>\$ 12,345,764</u>	<u>\$ 48,855,764</u>

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

June 30, 2011, the amount of outstanding bonded indebtedness was equal to 8.3% of property assessments as of October 1, 2010.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, series 2006	3.5-3.875	1/26/2006	9/1/2018	\$ 8,350,000	\$ 6,540,000

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 720,000	\$ 229,888	\$ 949,888
2013	740,000	203,967	943,967
2014	770,000	176,787	946,787
2015	795,000	148,517	943,517
2016	830,000	118,753	948,753
2017 – 2019	2,685,000	158,455	2,843,455
Total	\$ 6,540,000	\$ 1,036,367	\$ 7,576,367

This debt will be retired from the MAEP Debt Retirement Fund.

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

C. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, series 2003	3.79	8/1/2003	8/1/2023	\$ 3,000,000	\$ 2,195,000

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Year Ending June 30	Principal	Interest	Total
2012	\$ 135,000	\$ 80,632	\$ 215,632
2013	140,000	75,421	215,421
2014	145,000	70,020	215,020
2015	150,000	64,430	214,430
2016	155,000	58,650	213,650
2017 – 2021	865,000	199,070	1,064,070
2022 – 2024	605,000	34,963	639,963
Total	\$ 2,195,000	\$ 583,186	\$ 2,778,186

This debt will be retired from the Athletic Projects Debt Service Fund.

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under energy efficiency lease	5.0	5/31/2002	5/31/2012	\$ 659,245	\$ 75,026

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 75,026	\$ 1,889	\$ 76,915

This debt will be retired from the Energy Conservation Debt Service Fund.

An energy efficiency lease agreement dated June 3, 2002, was executed by and between the district, the lessee, and LaSalle Bank National Association, the lessor.

The agreement authorized the borrowing of \$659,245 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Energy Conservation Debt Service Fund and not exceed twelve (12) years.

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

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

E. Installment purchases loans payable

The school district has entered into an installment purchase agreement as listed above. Property under this installment purchase agreement is composed of a site license for software.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Installment loan	4.32	7/2/2007	10/15/2011	\$ 725,509	\$ 132,082

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 132,082	\$ 5,878	\$ 137,960

This debt will be retired from the District Maintenance Fund.

F. 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.

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease for 14 copy machines and 5 postage machines.

Lease expenditures for the year ended June 30, 2011, amounted to \$14,631. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2012	\$ 4,787

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% 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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

June 30, 2011, 2010 and 2009 were \$4,818,045, \$4,915,693 and \$4,745,102, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2012	\$ 700,612
2013	694,337
2014	663,933
2015	658,952
2016	655,712
2017 – 2021	3,181,504
2022 – 2026	3,025,579
2027 – 2031	2,877,295
2032 – 2036	2,736,279
Thereafter	3,294,619
Total	\$ 18,488,822

Note 10 – Prior Period Adjustments

A summary of significant fund balance adjustments are as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Adjustment to capital assets	\$ 6,997
2. Restatement of prior year assets	(11,670)
Total	\$ (4,673)

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

Fund	Explanation	Amount
General Fund	Restatement of prior year assets	\$ 18,118
Major Fund - 16th Section Principal Fund	Restatement of prior year assets	(29,788)
Total		\$ (11,670)

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

Note 11 – Contingencies

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

Note 12 – Risk Management

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

Note 13 – Trust Certificates

A trust agreement dated August 1, 2003, was executed by and between the school district and Lamar County School Improvement Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$3,000,000. Approximately \$2,922,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$78,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2011

On February 23, 2012, the board of education approved the borrowing of \$8,900,000 from the 16th Section Principal Fund in accordance with Section 29-3-113 Miss. Code of 1972. The loan (advance) will be used to finance the construction of the Longleaf Elementary School. The loan (advance) is for a 20 year period at 4% interest.

REQUIRED SUPPLEMENTAL INFORMATION

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Lamar County School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 22,181,163	22,507,052	22,507,052	325,889	0
State sources	32,053,830	33,579,158	33,579,158	1,525,328	0
Federal sources	145,573	150,000	150,000	4,427	0
Total Revenues	<u>54,380,566</u>	<u>56,236,210</u>	<u>56,236,210</u>	<u>1,855,644</u>	<u>0</u>
Expenditures					
Instruction	33,809,813	31,570,995	31,490,170	2,238,818	80,825
Support services	18,224,582	19,768,697	19,675,149	(1,544,115)	93,548
Noninstructional services	313,930	326,360	326,360	(12,430)	0
Facilities acquisition and construction	0	420,599	287,450	(420,599)	133,149
Debt service					
Principal	56,213	55,011	55,011	1,202	0
Interest	611,675	213,465	213,465	398,210	0
Other	2,000	4,440	4,440	(2,440)	0
Total Expenditures	<u>53,018,213</u>	<u>52,359,567</u>	<u>52,052,045</u>	<u>658,646</u>	<u>307,522</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,362,353</u>	<u>3,876,643</u>	<u>4,184,165</u>	<u>2,514,290</u>	<u>307,522</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	204	204	204	0
Sale of transportation equipment	0	9,726	9,726	9,726	0
Operating transfers in	3,868,113	3,459,104	1,154,567	(409,009)	(2,304,537)
Operating transfers out	(5,177,465)	(4,651,912)	(2,347,375)	525,553	2,304,537
Total Other Financing Sources (Uses)	<u>(1,309,352)</u>	<u>(1,182,878)</u>	<u>(1,182,878)</u>	<u>126,474</u>	<u>0</u>
Net Change in Fund Balances			<u>3,001,287</u>		
Fund Balances					
July 1, 2010, as originally reported			3,164,609		
Prior period adjustments			18,118		
July 1, 2010, as restated			<u>3,182,727</u>		
June 30, 2011			<u>\$ 6,184,014</u>		

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

Lamar County School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - IDEA Part B Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ 1,372,323	1,618,117	1,617,156	245,794	(961)
Total Revenues	<u>1,372,323</u>	<u>1,618,117</u>	<u>1,617,156</u>	<u>245,794</u>	<u>(961)</u>
Expenditures					
Instruction	827,541	1,052,388	1,051,427	(224,847)	961
Support services	543,782	565,227	565,227	(21,445)	0
Noninstructional services	1,000	502	502	498	0
Total Expenditures	<u>1,372,323</u>	<u>1,618,117</u>	<u>1,617,156</u>	<u>(245,794)</u>	<u>961</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
July 1, 2010			<u>0</u>		
June 30, 2011			<u>\$ 0</u>		

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

Lamar County School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

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SUPPLEMENTAL INFORMATION

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Lamar County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 1,041,390
National school lunch program	10.555	3,502,854
Total child nutrition cluster		4,544,244
Total U.S. Department of Agriculture		4,544,244
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	150,000
Total Federal Communications Commission		150,000
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	80,744
Safe and drug-free schools and communities - state grants	84.186	6,868
Rural education	84.358	23,547
Improving teacher quality - state grants	84.367	379,807
Education jobs fund	84.410	1,680,642
Total		2,171,608
Education technology state grants cluster:		
Education technology - state grants	84.318	11,188
ARRA - education technology - state grants, recovery act	84.386	22,137
Total education technology state grants cluster		33,325
State fiscal stabilization cluster:		
ARRA - State fiscal stabilization fund - education state grants, recovery act	84.394	2,250,640
Total state fiscal stabilization cluster		2,250,640
Title I cluster:		
Title I - grants to local educational agencies	84.010	1,394,174
ARRA - Title I - grants to local educational agencies, recovery act	84.389	313,127
Total title I cluster		1,707,301
Special education cluster:		
Special education - grants to states	84.027	1,617,156
Special education - preschool grants	84.173	55,844
ARRA - Special education - grants to states, recovery act	84.391	1,128,718
ARRA - Special education - preschool grants, recovery act	84.392	15,927
Total special education cluster		2,817,645
Total passed-through Mississippi Department of Education		8,980,519
Total U.S. Department of Education		8,890,519
Total for All Federal Awards		\$ 13,674,763

Lamar County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

NOTES TO SCHEDULE

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

Lamar County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 54,457,507	\$ 37,746,695	\$ 901,469	\$ 3,652,832	\$ 12,156,511
Other	\$ 19,343,671	\$ 4,121,144	\$ 500,526	\$ 158,120	\$ 14,563,881
Total	<u>\$ 73,801,178</u>	<u>\$ 41,867,839</u>	<u>\$ 1,401,995</u>	<u>\$ 3,810,952</u>	<u>\$ 26,720,392</u>
Total number of students	<u>8,934</u>				
Cost per student	<u>\$ 8,261</u>	<u>\$ 4,686</u>	<u>\$ 157</u>	<u>\$ 427</u>	<u>\$ 2,991</u>

Notes to the schedule.

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

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

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

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

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

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OTHER SUPPLEMENTAL INFORMATION

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Lamar County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 22,507,052	21,677,123	20,724,827	19,102,484
State sources	33,579,158	33,263,685	35,219,912	35,787,917
Federal sources	150,000	315,830	296,965	922,772
Total Revenues	<u>56,236,210</u>	<u>55,256,638</u>	<u>56,241,704</u>	<u>55,813,173</u>
Expenditures				
Instruction	31,490,170	33,529,558	35,009,228	35,578,030
Support services	19,675,149	19,637,637	20,490,544	22,105,170
Noninstructional services	326,360	306,169	305,191	579,308
Sixteenth section	0	0	134	204,490
Facilities acquisition and construction	287,450	32,959	558,162	125,315
Debt service				
Principal	55,011	56,213	169,966	44,079
Interest	213,465	144,347	113,542	120,583
Other	4,440	4,439	4,440	1,940
Total Expenditures	<u>52,052,045</u>	<u>53,711,322</u>	<u>56,651,207</u>	<u>58,758,915</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,184,165</u>	<u>1,545,316</u>	<u>(409,503)</u>	<u>(2,945,742)</u>
Other Financing Sources (Uses)				
Inception of capital leases	0	0	225,485	769,588
Insurances loss recoveries	204	0	5,214	1,255,540
Sale of transportation equipment	9,726	0	0	630
Sale of other property	0	0	0	70,230
Operating transfers in	1,154,567	1,020,075	2,093,634	2,251,008
Operating transfers out	(2,347,375)	(2,525,671)	(4,891,970)	(2,412,893)
Other financing uses	0	0	(1,500)	(1,500)
Total Other Financing Sources (Uses)	<u>(1,182,878)</u>	<u>(1,505,596)</u>	<u>(2,569,137)</u>	<u>1,932,603</u>
Net Change in Fund Balances	<u>3,001,287</u>	<u>39,720</u>	<u>(2,978,640)</u>	<u>(1,013,139)</u>
Fund Balances				
July 1, as originally reported	3,164,609	3,124,426	6,088,767	7,119,649
Prior period adjustments	18,118	463	14,299	(17,743)
July 1, as restated	<u>3,182,727</u>	<u>3,124,889</u>	<u>6,103,066</u>	<u>7,101,906</u>
June 30	<u>\$ 6,184,014</u>	<u>3,164,609</u>	<u>3,124,426</u>	<u>6,088,767</u>

* Source - Prior year audit reports.

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

	UNAUDITED			
	2011	2010*	2009*	2008*
Revenues				
Local sources	\$ 27,201,399	26,794,325	25,785,902	24,706,403
State sources	36,478,577	36,157,615	38,851,098	38,421,700
Federal sources	11,853,654	9,500,883	6,432,022	7,361,109
Sixteenth section sources	1,884,825	1,776,016	2,676,873	3,697,785
Total Revenues	<u>77,418,455</u>	<u>74,228,839</u>	<u>73,745,895</u>	<u>74,186,997</u>
Expenditures				
Instruction	40,964,521	41,250,733	40,286,757	40,025,706
Support services	23,199,880	22,903,123	24,108,043	25,761,870
Noninstructional services	4,121,453	3,682,436	3,472,277	4,674,389
Sixteenth section	50,158	44,108	60,342	248,522
Facilities acquisition and construction	433,480	58,330	3,586,255	10,256,347
Debt service				
Principal	2,770,792	2,840,155	3,006,603	2,625,201
Interest	2,253,629	2,305,469	2,389,423	3,036,861
Other	7,265	7,299	7,265	7,028
Total Expenditures	<u>73,801,178</u>	<u>73,091,653</u>	<u>76,916,965</u>	<u>86,635,924</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,617,277</u>	<u>1,137,186</u>	<u>(3,171,070)</u>	<u>(12,448,927)</u>
Other Financing Sources (Uses)				
Inception of capital leases	0	0	330,663	769,588
Insurances loss recoveries	204	0	5,214	1,255,540
Sale of transportation equipment	9,726	0	0	630
Sale of other property	0	0	0	70,230
Operating transfers in	4,016,609	3,545,746	6,985,604	4,897,356
Other financing sources	0	0	0	1,314
Operating transfers out	(4,016,609)	(3,545,746)	(6,985,604)	(4,897,356)
Other financing uses	0	0	(1,500)	(17,635)
Total Other Financing Sources (Uses)	<u>9,930</u>	<u>0</u>	<u>334,377</u>	<u>2,079,667</u>
Net Change in Fund Balances	<u>3,627,207</u>	<u>1,137,186</u>	<u>(2,836,693)</u>	<u>(10,369,260)</u>
Fund Balances				
July 1, as originally reported	25,014,581	23,882,654	26,736,790	37,016,065
Prior period adjustments	(11,670)	463	14,299	57,985
July 1, as restated	<u>25,002,911</u>	<u>23,883,117</u>	<u>26,751,089</u>	<u>37,074,050</u>
Increase (Decrease) in reserve for inventory	<u>21,799</u>	<u>(5,722)</u>	<u>(31,742)</u>	<u>32,000</u>
June 30	<u>\$ 28,651,917</u>	<u>25,014,581</u>	<u>23,882,654</u>	<u>26,736,790</u>

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2011, which collectively comprise the district's basic financial statements and have issued my report thereon dated July 10, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the school district is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies in internal control over financial reporting. [Finding 2011-01, 2011-02 and 2011-03]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The school district's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L Shivers, CPA

Ridgeland, MS
July 10, 2012

CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Lamar County School District

Compliance

I have audited the compliance of the Lamar County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Lamar County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The school district's response to the findings identified in my audit is described in the accompanying Auditee's Corrective Action Plan. I did not audit the school district's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the district's school board and management, others within the entity, 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.

Charles L Shivers, CPA

Ridgeland, MS
July 10, 2012

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

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CHARLES L. SHIVERS

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

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued my report thereon dated July 10, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,648 of classroom supply funds carried over from previous years.

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

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

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

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

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.

Charles L. Shivers, CPA

Ridgeland, MS
July 10, 2012

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Lamar County School District
 Schedule of Findings and Questioned Costs
 June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to local educational agencies cluster | |
| | CFDA #: 84.010 | |
| | CFDA #: 84.389 | |
| | b. Special education cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | CFDA #: 84.391 | |
| | CFDA #: 84.392 | |
| | c. State fiscal stabilization fund - education state grants, recovery act | |
| | CFDA#: 84.394 | |
| | d. Education jobs fund | |
| | CFDA#: 84.410 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$410,243 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes |

Section II: Financial Statement Findings

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

Finding 2011-01

CONDITION: The food service department enters their respective claims (invoices) for payment. There is no system of review for assurance of accuracy regarding the data entry by this department. This condition also existed in the prior year and was not corrected due to the timing differences of the prior year audit and the current year audit.

Lamar County School District
Schedule of Findings and Questioned Costs
June 30, 2011

CRITERIA: A well designed system of accountability would be such that these claims would not be entered by this department. Rather, the data entry would be performed by the central office staff whose assigned duties are to process claims for payment.

CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accountability for payment of claims.

EFFECT OF CONDITION: The effect of this condition could result in errors occurring in accounting for payment of school claims and those errors not being prevented or detected by school staff.

RECOMMENDATION: It is recommended that the processing of invoices for payment be performed by the central office staff whose assigned duties are to process claims for payment. However, should it be the desire of management to maintain the current data entry process by this department, it is recommended that a documented system of review be implemented at the central office to gain assurance of the accuracy of the data entry by this departments.

Finding 2011-02

CONDITION: The financial accounting software affixes the electronic signature to the checks prepared and run by the accounts payable clerk and the payroll clerk. In substance, these individuals are signing checks prepared and processed by them. This condition also existed in the prior year and was not corrected due to the timing differences of the prior year audit and the current year audit. This condition also existed in the prior year and was not corrected due to the timing differences of the prior year audit and the current year audit.

CRITERIA: A well designed system of accounting controls would have someone other than these individuals affixing the electronic signature to their respective prepared checks.

CAUSE OF CONDITION: The cause is the result of an inadequately designed system.

EFFECT OF CONDITION: This condition could result in the payment of unauthorized claims or payroll.

RECOMMENDATION: It is recommended that the financial accounting software be modified such that someone other than these individuals has rights and access to affixing the electronic signature to the checks.

Finding 2011-03

CONDITION: The payroll clerk enters all data associated with the processing of payroll, including employee data, transaction coding and direct deposit information. This condition also existed in the prior year and was not corrected due to the timing differences of the prior year audit and the current year audit.

CRITERIA: A well designed system of accounting controls for payroll would segregate the duties of data entry to the greatest extent possible. One person would enter employee data, someone else would enter transaction coding and another person would enter direct deposit information.

CAUSE OF CONDITION: The cause is the result of an inadequately designed system.

EFFECT OF CONDITION: This situation could result in errors occurring in the processing of payroll and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the financial accounting software be tailored so that the rights and access be segregated such that more than one person is involved with the processing of payroll. The duties and function of the individuals should also be segregated to the greatest extent possible.

Section III: Federal Award Findings and Questioned Costs

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

Finding 2011-04

Program: Title I – Grants to Local Educational Agencies Cluster; CFDA# 84.010, 84.389; US Department of Education; Passed through the Mississippi Department of Education

Lamar County School District
Schedule of Findings and Questioned Costs
June 30, 2011

Compliance Requirement: Activities Allowed or Unallowed

Questioned Cost: \$12,712

CONDITION: The Title I Program paid a portion of the interest expense on an installment purchase agreement. This condition also existed in the prior year and was not corrected due to the timing differences of the prior year audit and the current year audit.

CRITERIA: Although the Federal guidelines permit the payment of principal on debt, the guidelines do not allow for payment of the interest on debt.

CAUSE: The cause of the condition is due to an oversight by the school district's management. This control deficiency appears to be an isolated incident.

EFFECT OF CONDITION: The expenditure is considered disallowed and results in questioned cost to the school district.

RECOMMENDATION: It is recommended that interest charges associated with program debt be paid from the district maintenance fund.

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AUDITEE'S CORRECTIVE ACTION PLAN

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LAMAR COUNTY
SCHOOL DISTRICT
P.O. Box 609
Purvis, MS 39475

BOARD MEMBERS

Dr. Kyle Hill
Mr. Steve Lampton
Mr. Buddy Morris
Mr. Mike Pruitt
Mr. Chris Ryals

SUPERINTENDENT

Dr. Benjamin C. Burnett
Phone: 601-794-1030
Fax: 601-794-1012
ben.burnett@lamarcountyschools.org

**ASSISTANT
SUPERINTENDENT**

Johnny Downs
Phone: 601-794-1030
Carolyn Adams
Phone: 601-794-5256

**BOARD
ATTORNEY**

Richard D. Norton
Phone: 601-261-4100

June 28, 2012

As required by Section 315 (c) of OMB Circular A-133, the Lamar 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 year ended June 30, 2011.

Finding 2011-01

Corrective Action Plan

- a. Contact person responsible for corrective action – Jennifer Hession, Director of Finance
- b. Description of correction action to be taken – The food service department is no longer entering claims/invoice for payment. The accounts payable department is processing the claims for payment as they do for all other departments in the district.
- c. Anticipated completion date of corrective action – This process began October 1, 2011.

Finding 2011-02

Corrective Action Plan

- a. Contact person responsible for corrective action – Jennifer Hession, Director of Finance
- b. Description of correction action to be taken – We are currently working with our financial software vendor to make this change. The electronic signature will now be affixed by Jennifer Hession for accounts payable checks and by Chris Wooten, Human Resources Director, for payroll checks.
- c. Anticipated completion date - This process will be complete by August 31, 2012

Finding 2011-03

Corrective Action Plan

- a. Contact person responsible for correction action – Chris Wooten, Human Resources Director and Jennifer Hession, Director of Finance
- b. Description of correction action to be taken – Lamar County School District recently hired a Human Resources Director. The payroll processing duties have been segregated. The Payroll Director will continue to run the monthly payroll and transaction coding. The Assistant Payroll Director will enter employee data and the District Leave Clerk will enter direct deposit information.
- c. Anticipated completion date – This process has been in place since October 2011.

Finding 2011-04

Corrective Action Plan

- a. Contact person responsible for corrective action – Jennifer Hession
- b. Description of correction action to be taken – We will no longer pay interest on debt from federal funds.
- c. Anticipated completion date of corrective action – This action was complete on 3/7/2012.

Sincerely,



Dr. Ben Burnett
Superintendent of Education

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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LAMAR COUNTY
SCHOOL DISTRICT
P.O. Box 609
Purvis, MS 39475

BOARD MEMBERS

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Mr. Steve Lampton
Mr. Buddy Morris
Mr. Mike Pruitt
Mr. Chris Ryals

SUPERINTENDENT

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**ASSISTANT
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Johnny Downs
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Carolyn Adams
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**BOARD
ATTORNEY**

Richard D. Norton
Phone: 601-261-4100

Summary Schedule of Prior Audit Findings

June 19, 2012

Financial and Compliance Audit Division

As required by Section____.315(b) of OMB Circular A-133, the Lamar County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2011.

<u>Finding</u>	<u>Status</u>
2010-04	Corrected
2010-05	Not Corrected

Sincerely,

Superintendent of Education

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