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LAUDERDALE COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

LAUDERDALE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lauderdale County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, we 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. We believe that our audit provides a reasonable basis for our opinions.

In our 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 Lauderdale 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.

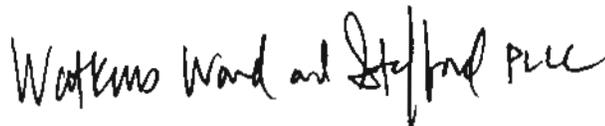
In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the Lauderdale County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lauderdale County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lauderdale County School District's basic financial statements. The 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, we do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 29, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Lauderdale County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$1,484,458, which represents a 4.13% increase from fiscal year 2010. Total net assets for 2010 increased \$2,486,185, which represents a 7.43% increase from fiscal year 2009.
- General revenues amounted to \$43,300,962 and \$43,788,064, or 80.87% and 81.23% 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 \$10,245,255, or 19.13% of total revenues for 2011, and \$10,118,810, or 18.77% of total revenues for 2010.
- The District had \$52,061,759 and \$51,420,689 in expenses for fiscal years 2011 and 2010; only \$10,245,255 for 2011 and \$10,118,810 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$43,300,962 for 2011 and \$43,788,064 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$40,232,510 in revenues and \$36,771,696 in expenditures for 2011, and \$40,825,543 in revenues and \$37,981,680 in expenditures in 2010. The General Fund's fund balance increased by \$2,044,929 from 2010 to 2011, and increased by \$1,188,313 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$211,656 for 2011 and increased by \$227,425 for 2010. The decrease for 2011 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$1,980,951 for 2011 and increased by \$580,044 for 2010. This decrease for 2011 was due to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$37,623 for 2011 and increased by \$107,228 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.

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

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 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:

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

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 \$37,453,862 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.

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

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

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	\$ 18,722,202	\$ 18,857,032	(0.72) %
Restricted assets	278,811	1,237,623	(77.47) %
Capital assets, net	28,790,619	29,002,275	(0.73) %
Total assets	47,791,632	49,096,930	(2.66) %
Current liabilities	302,096	1,073,278	(71.85) %
Long-term debt outstanding	10,035,674	12,054,248	(16.75) %
Total liabilities	10,337,770	13,127,526	(21.25) %
Net assets:			
Invested in capital assets, net of related debt	20,415,619	18,772,275	8.75 %
Restricted	6,188,080	6,744,936	(8.26) %
Unrestricted	10,850,163	10,452,193	3.81 %
Total net assets	\$ 37,453,862	\$ 35,969,404	4.13 %

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 \$211,656.
- The principal retirement of \$1,980,951 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 \$53,546,217 and \$53,906,874, respectively. The total cost of all programs and services was \$52,061,759 for 2011 and \$51,420,689 for 2010.

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

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	\$ 1,512,943	\$ 1,461,353	3.53 %
Operating grants and contributions	8,732,312	8,657,457	0.86 %
General revenues:			
Property taxes	11,376,567	11,312,385	0.57 %
Grants and contributions not restricted	30,497,447	30,447,081	0.17 %
Investment earnings	586,557	634,485	(7.55) %
Sixteenth section sources	682,205	323,273	111.03 %
Other	158,186	1,070,840	(85.23) %
Total revenues	53,546,217	53,906,874	(0.67) %
Expenses:			
Instruction	32,236,063	32,010,244	0.71 %
Support services	16,458,005	16,164,603	1.82 %
Non-instructional	2,787,124	2,657,033	4.90 %
Sixteenth section	162,718	175,007	(7.02) %
Interest on long-term liabilities	417,849	413,802	0.98 %
Total expenses	52,061,759	51,420,689	1.25 %
Increase in net assets	1,484,458	2,486,185	(40.29) %
Net Assets, July 1	35,969,404	33,483,219	7.43 %
Net Assets, June 30	\$ 37,453,862	\$ 35,969,404	4.13 %

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 32,236,063	\$ 32,010,244	0.71 %
Support services	16,458,005	16,164,603	1.82 %
Non-instructional	2,787,124	2,657,033	4.90 %
Sixteenth section	162,718	175,007	(7.02) %
Interest on long-term liabilities	417,849	413,802	0.98 %
Total expenses	\$ 52,061,759	\$ 51,420,689	1.25 %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (26,725,351)	\$ (26,724,980)	0.01 %
Support services	(14,754,651)	(13,423,565)	9.92 %
Non-instructional	159,118	(564,525)	(128.19) %
Sixteenth section	(77,771)	(175,007)	(55.56) %
Interest on long-term liabilities	(417,849)	(413,802)	0.98 %
Total net (expense) revenue	\$ (41,816,504)	\$ (41,301,879)	1.25 %

- Net cost of governmental activities (\$41,816,504 for 2011 and \$41,301,879 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$11,376,567 for 2011 and \$11,312,385 for 2010) and state and federal revenues (\$30,497,447 for 2011 and \$30,447,081 for 2010). In addition, there was \$682,205 and \$323,273 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$586,557 for 2011 and \$634,485 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 \$18,797,737, a decrease of \$275,747, which includes a decrease in inventory of \$19,527. \$12,510,837 or 66.56% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,286,900 or 33.44% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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

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 \$2,044,929. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,327,736, which includes a decrease in reserve for inventory of \$19,527. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EEF-Building and Buses Fund \$	7,060
Title I (ARRA) Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$43,622,710, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$923,643 from 2010. Total accumulated depreciation as of June 30, 2011, was \$14,832,091, and total depreciation expense for the year was \$1,222,464, resulting in total net capital assets of \$28,790,619.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 482,482	\$ 482,482	0.00 %
Buildings	24,271,423	24,924,197	(2.62) %
Improvements other than buildings	1,483,377	1,585,469	(6.44) %
Mobile equipment	2,346,683	1,864,142	25.89 %
Furniture and equipment	206,654	145,985	41.56 %
Total	<u>\$ 28,790,619</u>	<u>\$ 29,002,275</u>	<u>(0.73) %</u>

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

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

Debt Administration. At June 30, 2011, the District had \$10,035,674 in outstanding long-term debt, of which \$714,864 is due within one year. The liability for compensated absences decreased \$37,623 from the prior year.

The District maintains an AA bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligation bonds payable	\$	\$ 530,000	(100.00) %
Three mill notes payable	6,875,000	7,200,000	(4.51) %
Obligations under energy efficiency leases	1,166,547	1,292,498	(9.74) %
Qualified zone academy bonds payable		1,000,000	(100.00) %
Qualified school construction bonds payable	1,500,000	1,500,000	0.00 %
Compensated absences payable	494,127	531,750	(7.08) %
Total	\$ 10,035,674	\$ 12,054,248	(16.75) %

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

CURRENT ISSUES

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

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

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

Enrollment for the 2010-2011 year increased by 1.5% to 6,305 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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FINANCIAL STATEMENTS

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LAUDERDALE COUNTY SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 17,145,474
Due from other governments	1,491,036
Other receivables, net	2,096
Inventories	83,596
Restricted assets	278,811
Capital assets, non-depreciable:	
Land	482,482
Capital assets, net of accumulated depreciation:	
Buildings	24,271,423
Improvements other than buildings	1,483,377
Mobile equipment	2,346,683
Furniture and equipment	206,654
Total Assets	47,791,632
Liabilities	
Accounts payable and accrued liabilities	67,728
Other payables	119,312
Unearned revenue	16,236
Interest payable on long-term liabilities	98,820
Long-term liabilities, due within one year:	
Capital related liabilities	575,000
Non-capital related liabilities	139,864
Long-term liabilities, due beyond one year:	
Capital related liabilities	7,800,000
Non-capital related liabilities	1,520,810
Total Liabilities	10,337,770
Net Assets	
Invested in capital assets, net of related debt	20,415,619
Restricted for:	
Expendable:	
School-based activities	4,105,518
Debt service	1,255,813
Capital improvements	127,000
Forestry improvements	329,588
Unemployment benefits	126,349
Non-expendable:	
Sixteenth section	243,812
Unrestricted	10,850,163
Total Net Assets	\$ 37,453,862

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 32,236,063	\$ 542,321	\$ 4,968,391	\$ (26,725,351)
Support services	16,458,005		1,703,354	(14,754,651)
Non-instructional	2,787,124	885,675	2,060,567	159,118
Sixteenth section	162,718	84,947		(77,771)
Interest on long-term liabilities	417,849			(417,849)
Total Governmental Activities	\$ 52,061,759	\$ 1,512,943	\$ 8,732,312	\$ (41,816,504)

General Revenues:

Taxes:

General purpose levies 10,596,641
Debt purpose levies 779,926

Unrestricted grants and contributions:

State 27,723,672
Federal 2,773,775
Unrestricted investment earnings 586,557
Sixteenth section sources 682,205
Other 158,186

Total General Revenues

43,300,962

Change in Net Assets

1,484,458

Net Assets - Beginning

35,969,404

Net Assets - Ending

\$ 37,453,862

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit C

Balance Sheet
June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	EEF-Building and Buses Fund	Title I (ARRA) Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 12,984,618	\$ 2,630	\$ 339,086	\$	\$ 4,062,951	\$ 17,389,285
Investments					35,000	35,000
Due from other governments	580,686	229,148	18,715	146,520	515,967	1,491,036
Other receivables, net	2,096					2,096
Due from other funds	831,830				224,580	1,056,410
Inventories					83,596	83,596
Total assets	\$ 14,399,230	\$ 231,778	\$ 357,801	\$ 146,520	\$ 4,922,094	\$ 20,057,423
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 43,321	\$ 2,630	\$	\$	\$ 21,777	\$ 67,728
Due to other funds		229,148	224,580	146,520	456,162	1,056,410
Other payables					119,312	119,312
Unearned revenue					16,236	16,236
Total Liabilities	43,321	231,778	224,580	146,520	613,487	1,259,686
Fund Balances:						
Nonspendable:						
Inventory					83,596	83,596
Permanent fund principal					243,812	243,812
Restricted:						
Debt service						
Capital projects					1,354,633	1,354,633
Forestry improvement purposes					127,000	127,000
Unemployment benefits					329,588	329,588
Other purposes	282		133,221		126,349	126,349
Assigned:						
Other purposes	1,844,790				916,601	2,761,391
Unassigned	12,510,837					12,510,837
Total Fund Balances	14,355,909		133,221		4,308,607	18,797,737
Total Liabilities and Fund Balances	\$ 14,399,230	\$ 231,778	\$ 357,801	\$ 146,520	\$ 4,922,094	\$ 20,057,423

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit C-1

Total fund balances for governmental funds \$ 18,797,737

Amounts reported for governmental activities in the statement of net assets are different because.

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

Land	\$ 482,482	
Buildings	32,354,409	
Improvements other than buildings	2,552,289	
Mobile equipment	7,187,491	
Furniture and equipment	1,046,039	
Accumulated depreciation	<u>(14,832,091)</u>	28,790,619

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

Three mills notes payable	6,875,000	
Notes payable	2,666,547	
Compensated absences	494,127	
Accrued interest payable	<u>98,820</u>	(10,134,494)

Net assets of governmental activities

\$ 37,453,862

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	General Fund	Major Funds			Other Governmental Funds	Total Governmental Funds
		Title I Fund	EEF- Building and Buses Fund	Title I (ARRA) Fund		
Revenues:						
Local sources	\$ 11,739,616	\$	7,060	\$	1,751,301	\$ 13,497,977
Intermediate sources					53,244	53,244
State sources	28,268,752		224,580		809,264	29,302,596
Federal sources	224,142	1,863,142		259,811	7,526,823	9,873,918
Sixteenth section sources					818,482	818,482
Total Revenues	40,232,510	1,863,142	231,640	259,811	10,959,114	53,546,217
Expenditures:						
Instruction	22,144,577	1,458,400		250,705	7,634,922	31,488,604
Support services	14,434,610	351,316		3,610	2,181,781	16,971,317
Noninstructional services	4,884	8,384		2,623	2,816,497	2,832,388
Sixteenth section					162,718	162,718
Debt service:						
Principal	125,951				1,855,000	1,980,951
Interest	61,674				305,708	367,382
Other					3,754	3,754
Total Expenditures	36,771,696	1,818,100	231,640	256,938	14,960,380	53,807,114
Excess (Deficiency) of Revenues over (under) Expenditures	3,460,814	45,042		2,873	(4,001,266)	(260,897)
Other Financing Sources (Uses):						
Insurance recovery	4,500					4,500
Payment held by QSCB debt escrow agent					35,000	35,000
Payment to QSCB debt escrow agent					(35,000)	(35,000)
Sale of other property	177					177
Operating transfers in	1,110,537				2,755,679	3,866,216
Operating transfers out	(2,531,099)	(45,042)	(224,580)	(2,873)	(1,062,622)	(3,866,216)
Total Other Financing Sources (Uses)	(1,415,885)	(45,042)	(224,580)	(2,873)	1,693,057	4,677
Net Change in Fund Balances	2,044,929		7,060		(2,308,209)	(256,220)
Fund Balances:						
July 1, 2010	12,310,980		126,161		6,636,343	19,073,484
(Decrease) in reserve for inventory					(19,527)	(19,527)
June 30, 2011	\$ 14,355,909	\$	133,221	\$	4,308,607	\$ 18,797,737

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit D-1

Net change in fund balances - total governmental funds \$ (256,220)

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

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

Capital outlay	\$ 923,643	
Depreciation expense	<u>(1,135,299)</u>	(211,656)

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

Payments of debt principal	1,980,951	
Accrued interest payable	<u>(46,713)</u>	1,934,238

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

Change in compensated absences	37,623	
Change in inventory reserve	<u>(19,527)</u>	18,096

Change in net assets of governmental activities		<u><u>\$ 1,484,458</u></u>
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The notes to the financial statements are an integral part of this statement.

LAUDERDALE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Assets

Exhibit E

June 30, 2011

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 3,535	\$ 2,269,470
Total Assets	<u>3,535</u>	<u>2,269,470</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 1,942,308
Due to student clubs		325,066
Other payables		2,096
Total Liabilities		<u>\$ 2,269,470</u>
Net Assets		
Reserved for endowments	<u>3,535</u>	
Total Net Assets	<u>\$ 3,535</u>	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 103
Contributions and donations from private sources	150
Total Additions	<u>253</u>
Deductions	
Scholarships awarded	<u>500</u>
Total Deductions	<u>500</u>
Change in Net Assets	<u>(247)</u>
Net Assets	
July 1, 2010	<u>3,782</u>
June 30, 2011	<u>\$ 3,535</u>

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 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, Lauderdale County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

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.

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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

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.

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local education agencies programs.

EEF Building and Buses Fund - This fund is used to account for educational enhancement funds designated for use in acquiring and/or paying debt issues related to purchases of buildings and improvements and buses.

Title I (ARRA) Fund - This fund accounts for the Recovery Act resources related to the Title I grants to local education agencies programs.

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

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

The District's fiduciary funds include the following:

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

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

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

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

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.

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

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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

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:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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. Currently there is no committed fund balance for the District.

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

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 \$17,389,285 and \$ 2,273,005, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance was exposed to custodial credit risk.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury Securities	AAA	more than one year	\$ 35,000
Total			<u>\$ 35,000</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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2011, the district had the following investments:

Issuer	Fair Value	% of Total Investments
U.S. Treasury Securities	\$ 35,000	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I	\$ 229,148
	Title I ARRA	146,520
	Other governmental funds	456,162
Other governmental funds	EEF Building & Buses	224,580
	Total	\$ 1,056,410

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,531,099
Title I	General Fund	45,042
EEF Building & Buses	Other governmental funds	224,580
Title I ARRA	General Fund	2,873
Other governmental funds	General Fund	1,062,622
Total		\$ 3,866,216

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$ 243,811, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance, totaling \$35,000, of the Qualified School Construction Bond Fund.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Balance 6/30/2011
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 482,482			482,482
Total non-depreciable capital assets	482,482			482,482
<u>Depreciable capital assets:</u>				
Buildings	32,354,409			32,354,409
Improvements other than buildings	2,552,289			2,552,289
Mobile equipment	6,320,276	900,350	33,135	7,187,491
Furniture and equipment	989,611	117,086	60,658	1,046,039
Total depreciable capital assets	42,216,585	1,017,436	93,793	43,140,228
<u>Less accumulated depreciation for:</u>				
Buildings	7,430,212	652,774		8,082,986
Improvements other than buildings	966,820	102,092		1,068,912
Mobile equipment	4,456,134	414,495	29,821	4,840,808
Furniture and equipment	843,626	53,103	57,344	839,385
Total accumulated depreciation	13,696,792	1,222,464	87,165	14,832,091
Total depreciable capital assets, net	28,519,793	(205,028)	6,628	28,308,137
Governmental activities capital assets, net	\$ 29,002,275	\$ (205,028)	\$ 6,628	\$ 28,790,619

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 768,765
Support services	434,518
Non-instructional	19,181
Total depreciation expense - Governmental activities	\$ 1,222,464

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	\$ 530,000	\$	\$ 530,000	\$	
B. Three mill notes payable	7,200,000		325,000	6,875,000	575,000
C. Obligations under energy efficiency leases	1,292,498		125,951	1,166,547	139,864
D. Qualified zone academy bonds payable	1,000,000		1,000,000		
E. Qualified school construction bonds payable	1,500,000			1,500,000	
F. Compensated absences payable	531,750		37,623	494,127	
Total	\$ 12,054,248	\$	\$ 2,018,574	\$ 10,035,674	\$ 714,864

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds refunding bonds, Series 1997	4.85-5%	10/1/1997	4/1/2011	\$ 4,410,000	\$ -
				<u>\$ 4,410,000</u>	<u>\$ -</u>

This debt was retired from the Bond Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 0% of property assessments as of October 1, 2010.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill ten year note payable	2.5-3.125%	7/24/2003	7/24/2013	\$ 1,910,000	\$ 1,225,000
2. Three mill ten year note payable	3.8-5.375%	4/1/2006	4/1/2022	6,250,000	5,650,000
Total				<u>\$ 8,160,000</u>	<u>\$ 6,875,000</u>

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

1. Three mill notes payable issue of July 24, 2003:

Year Ending June 30	Principal	Interest	Total
2012	\$ 450,000	\$ 36,706	\$ 486,706
2013	450,000	23,656	473,656
2014	325,000	10,156	335,156
Total	<u>\$ 1,225,000</u>	<u>\$ 70,518</u>	<u>\$ 1,295,518</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2003 is secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss. Code Ann. (1972). The EEF funds pledge is to secure the 2014 through 2022 maturities of the note in the approximate amounts of \$224,580 each year. The note proceeds were used for purchasing tractors and school buses.

2. Three mill notes payable issue of April 1, 2006:

Year Ending June 30	Principal	Interest	Total
2012	\$ 125,000	\$ 225,444	\$ 350,444
2013	250,000	218,881	468,881
2014	600,000	207,006	807,006
2015	600,000	181,506	781,506
2016	625,000	158,706	783,706
2017 – 2021	2,900,000	448,181	3,348,181
2022	550,000	22,000	572,000
Total	\$ 5,650,000	\$ 1,461,724	\$ 7,111,724

This debt will be retired from the Three Mill Note (debt service) fund. The three mill note payable, Series 2006 is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Education Enhancement Funds ("EEF Funds"), Section 37-61-33, Miss Code Ann. (1972). The EEF funds pledge is to secure the 2014 through 2022 maturities of the note in the approximate amounts of \$224,580 each year. The note proceeds were used for building additions and renovations.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 575,000	\$ 262,150	\$ 837,150
2013	700,000	242,538	942,538
2014	925,000	217,163	1,142,163
2015	600,000	181,506	781,506
2016	625,000	158,706	783,706
2017 – 2021	2,900,000	448,181	3,348,181
2022	550,000	22,000	572,000
Total	\$ 6,875,000	\$ 1,532,244	\$ 8,407,244

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
GE Capital Solutions					
Energy Efficiency Lease	4.67%	2/7/2003	2/7/2018	\$ 1,881,885	\$ 1,166,547
Total				<u>\$ 1,881,885</u>	<u>\$ 1,166,547</u>

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

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 139,864	\$ 51,852	\$ 191,716
2013	151,335	45,077	196,412
2014	163,591	37,750	201,341
2015	176,664	29,832	206,496
2016	190,592	21,187	211,779
2017 – 2018	344,501	14,648	359,149
Total	<u>\$ 1,166,547</u>	<u>\$ 200,346</u>	<u>\$ 1,366,893</u>

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

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

The agreement authorized the borrowing of \$1,881,885 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not to exceed fifteen (15) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

D. Qualified zone academy bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2000	N/A	7/20/2000	7/20/2010	\$ 1,000,000	\$
				<u>\$ 1,000,000</u>	<u>\$</u>

E. Qualified school construction bonds payable

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

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

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

Operating leases:

The school district has several operating leases for the following:

1. Cannon 5065 Copier with Saddle Finisher
2. Toshiba E45 Digital Copier System
3. Toshiba Digital Plain Color Copier Model E-Studio 2500c
4. 2 Toshiba E-453 CPM Digital Copiers
5. Gestetner 6002 Digital Copier w/ Finisher
6. Savin 8065 Digital Laser Copier
7. Toshiba High-Speed Digital Console Copier E-Studio 855

Lease expenditures for the year ended June 30, 2011, amounted to \$15,080.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 11,511
2013	5,955
2014	5,160
2015	1,560
Total	<u>\$ 24,186</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate 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 June 30, 2011, 2010 and 2009 were \$3,524,229, \$3,589,423 and \$3,492,371, 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.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Year Ending June 30	Amount
2012	\$ 201,993
2013	191,376
2014	194,038
2015	196,780
2016	188,085
2017 – 2021	995,013
2022 – 2026	1,110,138
2027 – 2031	1,133,744
2032 – 2036	668,572
Total	<u>\$ 4,879,739</u>

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Phil Hardin Foundation and the Coca-Cola Bottling Company, has entered into such an arrangement dated July 20, 2000. In this agreement, each partner agrees to contribute to the District, in the form of a grant, on July 20, 2000, for the benefit of the Qualified Zone Academy. The Phil Hardin Foundation made a contribution in the amount of \$75,000, and the Coca-Cola Bottling Company made a contribution in the amount of \$10,000 in fiscal year 2000-2001.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 20. The QZAB was retired during fiscal year 2011.

Note 13 – Qualified School Construction Bonds

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

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$35,000. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2012	\$ 35,000
2013	35,000
2014	55,000
2015	60,000
2016	80,000
2017 – 2021	640,000
2022 – 2025	560,000
Total	<u>\$ 1,465,000</u>

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 14 - Insurance loss recoveries

The Lauderdale County School District received \$4,500 in insurance loss recoveries related to wind damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated to the support services expense function.

Note 15 - 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 Lauderdale County School District evaluated the activity of the district through March 29, 2012 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

1. The school district entered into two contracts to have timber harvested on sixteenth section lands before June 30, 2011 totaling \$341,681. These contracts were not completed as of June 30, 2011 and the income will be recognized in the subsequent year.

REQUIRED SUPPLEMENTAL INFORMATION

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LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

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	\$ 11,275,904	\$ 11,736,762	\$ 11,739,616	\$ 460,858	\$ 2,854
State sources	29,940,066	28,268,752	28,268,752	(1,671,314)	
Federal sources	442,319	224,142	224,142	(218,177)	
Total Revenues	41,658,289	40,229,656	40,232,510	(1,428,633)	2,854
Expenditures:					
Instruction	24,840,137	22,144,577	22,144,577	2,695,560	
Support services	16,390,599	14,419,341	14,434,610	1,971,258	(15,269)
Noninstructional services	1,000	4,884	4,884	(3,884)	
Facilities acquisition and construction		15,269		(15,269)	15,269
Debt service:					
Principal	125,051	125,951	125,951	(900)	
Interest	62,202	61,674	61,674	528	
Total Expenditures	41,418,989	36,771,696	36,771,696	4,647,293	
Excess (Deficiency) of Revenues over (under) Expenditures	239,300	3,457,960	3,460,814	3,218,660	2,854
Other Financing Sources (Uses):					
Insurance recovery	5,000	7,354	4,500	2,354	(2,854)
Sale of transportation equipment	500			(500)	
Sale of other property	500	177	177	(323)	
Operating transfers in	5,366,444	6,076,028	1,110,537	709,584	(4,965,491)
Operating transfers out	(7,392,825)	(7,496,590)	(2,531,099)	(103,765)	4,965,491
Total Other Financing Sources (Uses)	(2,020,381)	(1,413,031)	(1,415,885)	607,350	(2,854)
Net Change in Fund Balances	(1,781,081)	2,044,929	2,044,929	3,826,010	
Fund Balances:					
July 1, 2010	6,996,183	12,310,980	12,310,980	5,314,797	
June 30, 2011	\$ 5,215,102	\$ 14,355,909	\$ 14,355,909	\$ 9,140,807	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

Title I 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	\$ 1,801,660	\$ 1,863,142	\$ 1,863,142	\$ 61,482	
Total Revenues	1,801,660	1,863,142	1,863,142	61,482	
Expenditures:					
Instruction	851,775	1,458,400	1,458,400	(606,625)	
Support services	670,000	351,316	351,316	318,684	
Noninstructional services		8,384	8,384	(8,384)	
Total Expenditures	1,521,775	1,818,100	1,818,100	(296,325)	
Excess (Deficiency) of Revenues over (under) Expenditures	279,885	45,042	45,042	(234,843)	
Other Financing Sources (Uses):					
Operating transfers out	(30,000)	(45,042)	(45,042)	(15,042)	
Total Other Financing Sources (Uses)	(30,000)	(45,042)	(45,042)	(15,042)	
Net Change in Fund Balances	249,885			(249,885)	
Fund Balances:					
July 1, 2010					
June 30, 2011	\$ 249,885			\$ (249,885)	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
EEF- Building and Buses 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	\$ 3,000	\$ 7,060	\$ 7,060	\$ 4,060	
State sources	224,580	224,580	224,580		
Total Revenues	227,580	231,640	231,640	4,060	
Expenditures:					
Total Expenditures					
Excess (Deficiency) of Revenues over (under) Expenditures	227,580	231,640	231,640	4,060	
Other Financing Sources (Uses):					
Operating transfers out	(224,580)	(224,580)	(224,580)		
Total Other Financing Sources (Uses)	(224,580)	(224,580)	(224,580)		
Net Change in Fund Balances	3,000	7,060	7,060	4,060	
Fund Balances:					
July 1, 2010	1,000	126,161	126,161	125,161	
June 30, 2011	\$ 4,000	\$ 133,221	\$ 133,221	\$ 129,221	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
 Title I (ARRA) 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	325,000	259,811	259,811	(65,189)	
Total Revenues	325,000	259,811	259,811	(65,189)	
Expenditures:					
Instruction	309,000	250,705	250,705	58,295	
Support services	6,000	3,610	3,610	2,390	
Noninstructional services	5,500	2,623	2,623	2,877	
Total Expenditures	320,500	256,938	256,938	63,562	
Excess (Deficiency) of Revenues over (under) Expenditures	4,500	2,873	2,873	(1,627)	
Other Financing Sources (Uses):					
Operating transfers out		(2,873)	(2,873)	(2,873)	
Total Other Financing Sources (Uses)		(2,873)	(2,873)	(2,873)	
Net Change in Fund Balances	4,500			(4,500)	
Fund Balances:					
July 1, 2010					
June 30, 2011	\$ 4,500			(4,500)	

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

LAUDERDALE COUNTY SCHOOL DISTRICT

Supplemental Information

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	\$ 525,697
National school lunch program	10.555	1,607,967
Summer food service program for children	10.559	12,023
Total child nutrition cluster		<u>2,145,687</u>
Total passed-through Mississippi Department of Education		<u>2,145,687</u>
Total U.S. Department of Agriculture		<u>2,145,687</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	88,167
Total U.S. Department of Defense		<u>88,167</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	176,436
Total Federal Communications Commission		<u>176,436</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Impact Aid	84.041	44,514
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	75,599
Safe and drug-free schools and communities- state grants	84.186	1,779
Education technology state grants	84.318	37,497
ARRA - Education technology state grants, Recovery Act	84.386	4,579
Improving Teacher Quality	84.367	296,220
ARRA - State Fiscal Stabilization Fund - Government services, Recovery Act	84.394	1,778,825
School Improvement Program	84.377	69,520
Education Job Fund	84.410	774,000
Subtotal		<u>3,038,019</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,863,142
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	259,811
Total Title I cluster		<u>2,122,953</u>
Special education cluster:		
Special education - grants to states	84.027	1,461,914
Special education - preschool grants	84.173	39,489
ARRA - Special education grants to states, Recovery Act	84.391	706,619
Total special education cluster		<u>2,208,022</u>
Total passed-through Mississippi Department of Education		<u>7,368,994</u>
Total U.S. Department of Education		<u>7,413,508</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Medical assistance program	93.778	33,281
Total passed-through Mississippi Department of Health and Human Services		<u>33,281</u>
Total U.S. Department of Health and Human Services		<u>33,281</u>
Total for All Federal Awards		<u>\$ 9,857,079</u>

NOTES TO SCHEDULE

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

LAUDERDALE COUNTY SCHOOL DISTRICT

Supplemental Information

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 39,861,623	31,630,756	1,052,920	2,600,971	4,576,976
Other	13,945,491	3,660,815	359,963	200,559	9,724,154
Total	\$ 53,807,114	35,291,571	1,412,883	2,801,530	14,301,130
Total number of students *	6,305				
Cost per student	\$ 8,534	5,597	224	444	2,268

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

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

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

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

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

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

OTHER INFORMATION

LAUDERDALE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 11,739,616	\$ 12,075,315	\$ 11,303,063	\$ 10,177,526
Intermediate sources				128,324
State sources	28,268,752	28,576,435	31,229,537	31,258,293
Federal sources	224,142	173,793	94,706	128,121
Total Revenues	40,232,510	40,825,543	42,627,306	41,692,264
Expenditures:				
Instruction	22,144,577	23,059,539	25,177,212	25,103,901
Support services	14,434,610	13,649,521	13,975,275	13,074,966
Noninstructional services	4,884	33,883	301,193	27,364
Facilities acquisition and construction		1,054,929	103,622	135,236
Debt service:				
Principal	125,951	119,956	110,589	107,683
Interest	61,674	63,852	69,498	74,722
Total Expenditures	36,771,696	37,981,680	39,737,389	38,523,872
Excess (Deficiency) of Revenues over (under) Expenditures	3,460,814	2,843,863	2,889,917	3,168,392
Other Financing Sources (Uses):				
Insurance recovery	4,500	8,800	52,744	132,639
Sale of transportation equipment				23,952
Sale of other property	177		2,450	
Operating transfers in	1,110,537	206,021		2,144,997
Operating transfers out	(2,531,099)	(1,870,371)	(1,552,466)	(1,805,938)
Total Other Financing Sources (Uses)	(1,415,885)	(1,655,550)	(1,497,272)	495,650
Net Change in Fund Balances	2,044,929	1,188,313	1,392,645	3,664,042
Fund Balances:				
Beginning of period, as originally reported	12,310,980	11,122,667	9,730,022	6,046,212
Prior period adjustments				19,768
Beginning of period, as restated	12,310,980	11,122,667	9,730,022	6,065,980
End of Period	\$ 14,355,909	\$ 12,310,980	\$ 11,122,667	\$ 9,730,022

*SOURCE - PRIOR YEAR AUDIT REPORTS

LAUDERDALE COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 13,497,977	\$ 14,407,060	\$ 13,621,789	\$ 12,470,303
Intermediate sources	53,244	39,560	62,996	130,845
State sources	29,302,596	29,549,542	32,192,745	32,631,669
Federal sources	9,873,918	9,527,621	5,565,012	5,426,001
Sixteenth section sources	818,482	383,093	256,755	707,673
Total Revenues	53,546,217	53,906,876	51,699,297	51,366,491
Expenditures:				
Instruction	31,488,604	31,175,613	29,980,395	29,754,846
Support services	16,971,317	16,088,480	15,388,279	14,890,909
Noninstructional services	2,832,388	2,646,844	2,931,076	2,623,181
Sixteenth section	162,718	175,007	212,719	166,206
Facilities acquisition and construction		1,054,929	103,622	1,655,230
Debt service:				
Principal	1,980,951	919,956	1,035,589	1,351,683
Interest	367,382	396,549	439,479	498,835
Other	3,754	23,612	3,014	4,630
Total Expenditures	53,807,114	52,480,990	50,094,173	50,945,520
Excess (Deficiency) of Revenues over (under) Expenditures	(260,897)	1,425,886	1,605,124	420,971
Other Financing Sources (Uses):				
Bonds and notes issued		1,500,000		
Insurance recovery	4,500	8,800	52,744	132,639
Payment held by QSCB debt escrow agent	35,000	238,395	290,500	62,500
Payment to QZAB debt escrow agent	(35,000)	(238,395)	(290,500)	(62,500)
Sale of transportation equipment				23,952
Sale of other property	177		2,450	
Operating transfers in	3,866,216	2,076,392	1,814,099	4,104,033
Operating transfers out	(3,866,216)	(2,076,392)	(1,814,099)	(4,104,033)
Total Other Financing Sources (Uses)	4,677	1,508,800	55,194	156,591
Net Change in Fund Balances	(256,220)	2,934,686	1,660,318	577,562
Fund Balances:				
Beginning of period, as originally reported	19,073,484	16,133,810	14,476,889	13,942,479
Prior period adjustments			(3,221)	(43,000)
Beginning of period, as restated	19,073,484	16,133,810	14,473,668	13,899,479
Increase (Decrease) in reserve for inventory	(19,527)	4,988	(175)	(152)
End of Period	\$ 18,797,737	\$ 19,073,484	\$ 16,133,811	\$ 14,476,889

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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
Lauderdale County School District

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2011, which collectively comprise the Lauderdale County School District's basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Lauderdale County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management of 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.

Our 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the school district in a separate letter dated March 29, 2012.

This report is intended solely for the information and use of management, the school board, others within the entity, entities with accreditation overview, 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.

Watkins, Ward, and Stafford, PLLC
Philadelphia, Mississippi
March 29, 2012

A handwritten signature in black ink that reads "Watkins Ward and Stafford PLLC". The signature is written in a cursive, flowing style.



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

Superintendent and School Board
Lauderdale County School District

Compliance

We have audited the Lauderdale County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Lauderdale County School District's major federal programs for the year ended June 30, 2011. The Lauderdale County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Lauderdale County School District's management. Our responsibility is to express an opinion on the Lauderdale County School District's compliance based on our audit.

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

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

Internal Control Over Compliance

Management of the Lauderdale 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 our audit, we considered Lauderdale County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lauderdale County School District's internal control over compliance.

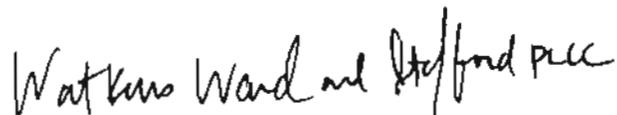
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings 11-1, and 11-2. 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.

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

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, 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.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
March 29, 2012



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

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

Superintendent and School Board
Lauderdale County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lauderdale County School District as of and for the year ended June 30, 2011, which collectively comprise Lauderdale County School District's basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$35,444 of classroom supply funds carried over from previous years.

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

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

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

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

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

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

Recommendation

The district should comply with Section 29-3-57, Miss. Code Ann. (1972), which requires "the superintendent of education shall keep a current docket as to the expiration date of all leases

on sixteenth section land; likewise, he shall keep a correct current docket upon the existing leases or any extensions thereof as to the amounts and time of payments of rentals provided for by such lease. It shall be the duty of the superintendent to collect investments of sixteenth section funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were present, and the board shall inaugurate the proper legal proceedings to terminate such lease."

School District's Response

We concur with the recommendation and we will comply with Section 29-3-57, Miss. Code Ann. (1972).

2. Proper form should be filed for all retirees

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss Code Ann. (1972), School Districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree.

During our testing of internal controls related to payroll expenditures, we noted twenty-three instances where rehires did not have Form 4B's on file and seventeen instances where Form 4B's were not signed within five days of rehire.

The retirees' retirement income could be affected by the District not filing PERS Form 4B upon reemployment of PERS service retirees each year. In addition, the Mississippi Public Employee Retirement System may assess a penalty per occurrence payable by the District for not filing PERS Form 4B within five days of re-employment of the service retiree.

Recommendation

We recommend the District implement procedures to ensure that the District files PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the school district within five days of the employment and within five days of termination.

School District's Response

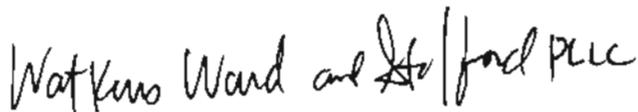
Our Assistant Superintendent will ensure that the district files PERS Form 4B on all re-employment or retirees within five days of employment and within five days of termination.

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

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

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

Watkins, Ward and Stafford, PLLC
Philadelphia, MS
March 29, 2012



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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LAUDERDALE COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------------------|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |
| 7. Identification of major programs: | |
| a. Special Education Cluster | |
| CFDA #84.027 | |
| CFDA #84.173 | |
| CFDA #84.391 | |
| b. Title I Cluster | |
| CFDA #84.010 | |
| CFDA #84.389 | |
| c. ARRA – State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act CFDA #84.394 | |
| d. ARRA- Education Job Fund, Recovery Act CFDA # 84.410 | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | No |

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

11-1 Finding

Internal Controls Surrounding Title I Allowable Cost/Cost Principles Should be Strengthened

Program: Title I Grants to Local Education Agencies Cluster
CFDA #84.010, 84.389

Questioned Costs: \$2,366

Management is responsible for complying with the requirements that Federal awards are expended only for allowable activities and that the cost of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles. The applicable cost principles, set forth in 2CFR part 225 (OMB Circular A-87), require that indirect costs be transferred on or after expenditures have been incurred.

During our test of Title I Cluster allocations, we noted that excess indirect cost was transferred causing the district to claim \$2,366 in excess of the allowable amount for indirect cost.

Improper internal controls resulted in the district not allocating indirect costs accurately.

Implementing requirements that more than one staff member review the indirect cost allocation would reduce the risk of fraud and errors occurring and not being detected within a timely period.

Recommendation

The district should comply with the requirements of the Federal award by implementing stronger controls to ensure that all indirect costs are accurately calculated in relation to the expenditures incurred, as set forth in 2CFR Part 225 (OMB Circular A-87).

11-2 ARRA Reports Should Agree with Financial Records

Programs: Title I Cluster CFDA# 84.010, 84.389
Special Education Cluster CFDA #84.027, 84.173, 84.391

In accordance with Section 1512 of ARRA, all transactions reported on quarterly reports must agree with the underlying financial records of the school district. Improper controls resulted in Title I and Special Education paid employees not being reported on Section 1512 ARRA Reporting and also a Title I expenditure not being reported on Section 1512 ARRA Reporting.

Recommendation

The district should comply with Section 1512 of ARRA and ensure that ARRA quarterly reports agree with the district's underlying financial records.

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

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SUPERINTENDENT
RANDY HODGES

As required by Section 315 (c) of OMB Circular A-133, The Lauderdale County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011.

Finding	Corrective Action Plan Details
11-01	<ul style="list-style-type: none">a. Charlotte Parker Director of Finance 601-693-1683b. We concur with the finding and the district will ensure that all future indirect costs are accurately calculated in proportion to all expenditures at the proper time.c. This will be insured for fiscal year 2012 and hereafter.
11-02	<ul style="list-style-type: none">a. Charlotte Parker Director of Finance 601-693-1683b. We concur with the finding and recommendation.c. We will insure that all quarterly reports agree with our financial records as of today and hereafter.



SUPERINTENDENT
RANDY HODGES

As required by Section ____ 31.5(o) of OMB Circular A-133, the Lauderdale County School District has prepared and hereby submits the following summary of prior audit findings as of June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
10-1	Corrected
10-2	Corrected