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LINCOLN COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2011

PATRICK E. LOWERY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

LINCOLN COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS 14
- Government-wide Financial Statements
  - Exhibit A – Statement of Net Assets 15
  - Exhibit B – Statement of Activities 16
- Governmental Funds Financial Statements
  - Exhibit C – Balance Sheet 17
  - Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Assets 18
  - Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances 19
  - Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
- Fiduciary Funds Financial Statements
  - Exhibit E – Statement of Fiduciary Assets and Liabilities 21

- Notes to the Financial Statements 22

REQUIRED SUPPLEMENTAL INFORMATION
- Budgetary Comparison Schedule – General Fund 41
- Budgetary Comparison Schedules – Special Revenue Funds 42
- Notes to the Required Supplemental Information 45

SUPPLEMENTAL INFORMATION
- Schedule of Expenditures of Federal Awards 47
- Schedule of Instructional, Administrative and Other Expenditures Governmental Funds 48

OTHER INFORMATION
- Statement of Revenues, Expenditures and Changes in Fund Balances General Fund – Last Four Years 50
- Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Funds – Last Four Years 51

REPORTS ON INTERNAL CONTROL AND COMPLIANCE
- 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* 53
- 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 Accordance with OMB Circular A-133 55

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS 58

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 61

INDEPENDENT AUDITOR'S REPORT

PATRICK E. LOWERY AND ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lincoln 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 Lincoln County School District as of and for the year ended June 30, 2011, which collectively comprise the Lincoln County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lincoln 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 Lincoln 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 August 6, 2012, on our consideration of the Lincoln 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 Lincoln 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 Lincoln 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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

August 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lincoln County School District

Terry Brister, Superintendent of Education

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P. O. Box 826
233 East Monticello Street
Brookhaven, Mississippi 39602-0826

The following discussion and analysis of Lincoln 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 $3,669,486, which represents a 9% increase from fiscal year 2010. Total net assets for 2010 increased $5,440,787, which represents a 16% increase from fiscal year 2009.

- General revenues amounted to $19,810,891 and $21,751,555, or 81% and 84% 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 $4,764,679, or 19% of total revenues for 2011, and $4,141,112, or 16% of total revenues for 2010.

- The District had $20,906,084 and $20,451,880 in expenses for fiscal years 2011 and 2010; only $4,764,679 for 2011 and $4,141,112 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $19,810,891 for 2011 and $21,751,555 for 2010 were adequate to provide for these programs.

- Among major funds, the General Fund had $16,304,600 in revenues and $13,932,841 in expenditures for 2011, and $16,888,224 in revenues and $14,355,089 in expenditures in 2010. The General Fund's fund balance increased by $106,113 from 2010 to 2011, and increased by $1,512,960 from 2009 to 2010.

- Capital assets, net of accumulated depreciation, increased by $68,337 for 2011 and decreased by $68,165 for 2010.

- Long-term debt decreased by $551,805 for 2011 and decreased by $523,004 for 2010. The decrease for 2011 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by $3,195 for 2011 and increased by $1,996 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of

the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.
The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

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

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

responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $42,308,721 as of June 30, 2011.

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

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

Table 1
Condensed Statement of Net Assets

	June 30, 2011	June 30, 2010	Percentage Change
Current assets	$ 18,138,574	$ 16,480,930	10.06 %
Restricted assets	10,963,916	9,505,400	15.34 %
Capital assets, net	18,923,912	18,855,575	0.36 %
Total assets	**48,026,402**	**44,841,905**	**7.10 %**
Current liabilities	292,757	225,941	29.57 %
Long-term debt outstanding	5,424,924	5,976,729	(9.23) %
Total liabilities	**5,717,681**	**6,202,670**	**(7.82) %**
Net assets:			
Invested in capital assets, net of related debt	13,628,912	13,005,575	4.79 %
Restricted	13,744,112	12,654,273	8.61 %
Unrestricted	14,935,697	12,979,387	15.07 %
Total net assets	**$ 42,308,721**	**$ 38,639,235**	**9.50 %**

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

- Increase in net capital assets in the amount of $68,337.
- The principal retirement of $555,000 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 $24,575,570 and $25,892,667, respectively. The total cost of all programs and services was $20,906,084 for 2011 and $20,451,880 for 2010.

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

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 918,427	$ 1,089,255	(15.68) %
Operating grants and contributions	3,846,252	3,051,857	26.03 %
General revenues:			
Property taxes	3,838,223	3,818,421	0.52 %
Grants and contributions not restricted	13,719,969	14,360,873	(4.46) %
Investment earnings	234,742	355,589	(33.99) %
Sixteenth section sources	1,981,515	3,182,550	(37.74) %
Other	36,442	34,122	6.80 %
Total revenues	**24,575,570**	**25,892,667**	**(5.09) %**
Expenses:			
Instruction	12,452,240	12,336,589	0.94 %
Support services	6,256,556	5,910,185	5.86 %
Non-instructional	1,494,121	1,443,962	3.47 %
Sixteenth section	456,385	491,609	(7.17) %
Interest and other expenses on long-term liabilities	246,782	269,535	(8.44) %
Total expenses	**20,906,084**	**20,451,880**	**2.22 %**
Increase (Decrease) in net assets	**3,669,486**	**5,440,787**	**(32.56) %**
Net Assets, July 1	**38,639,235**	**33,198,448**	16.39 %
Net Assets, June 30	**$ 42,308,721**	**$ 38,639,235**	**9.50 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2011	2010	Change
Instruction	$ 12,452,240	$ 12,336,589	0.94 %
Support services	6,256,556	5,910,185	5.86 %
Non-instructional	1,494,121	1,443,962	3.47 %
Sixteenth section	456,385	491,609	(7.17) %
Interest on long-term liabilities	246,782	269,535	(8.44) %
Total expenses	**$ 20,906,084**	**$ 20,451,880**	**2.22 %**

	Net (Expense) Revenue		Percentage
	2011	2010	Change
Instruction	$ (9,818,337)	$ (10,465,924)	(6.19) %
Support services	(5,634,599)	(5,386,559)	4.60 %
Non-instructional	(68,557)	60,604	(213.12) %
Sixteenth section	(373,130)	(249,354)	49.64 %
Interest on long-term liabilities	(246,782)	(269,535)	(8.44) %
Total net (expense) revenue	**$ (16,141,405)**	**$ (16,310,768)**	**(1.04) %**

- Net cost of governmental activities ($16,141,405 for 2011 and $16,310,768 for 2010) was financed by general revenue, which is primarily made up of property taxes ($3,838,223 for 2011 and $3,818,421 for 2010) and state and federal revenues ($13,719,969 for 2011 and $14,360,873 for 2010). In addition, there was $1,981,515 and $3,182,550 in Sixteenth Section sources for 2011 and 2010, respectively.

- Investment earnings amounted to $234,742 for 2011 and $355,589 for 2010.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $28,869,341, an increase of $3,043,481, which includes an increase in reserve for inventory of $12,741. $3,855,843, or 13%, 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 $25,013,498, or 87%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $106,113. The fund balance of Other Governmental Funds showed an increase in the amount of $7,100, which includes an increase in reserve for inventory of $12,741. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Title I Basic Fund		no increase or decrease
IDEA Part B Fund		no increase or decrease
Sixteenth Section Interest Fund	$	544,559
2005 Construction Fund	$	1,258,780
Complex Construction Fund	$	28,310
Sixteenth Section Principal Fund	$	1,098,619

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. Significant budget revisions during the fiscal year are explained as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately $879,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the actual federal revenue received and expenditures reported in the Budget Stabilization Fund.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the actual federal revenue received and expenditures incurred in the Budget Stabilization Fund.
- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Amounts originally budgeted were overstated.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were decreased during the fiscal year. The District earmarked certain general funds to be used for future capital projects and those expenditures were included in the original budget. The funds that had been set aside were actually transferred to a capital projects fund in anticipation of future capital projects.
- Budgeted amounts for transfers out of the General Fund were increased during the fiscal year to reflect the transfer of funds to capital project funds to be used for future construction and/or renovation projects. The budget for the capital projects fund was also amended to reflect the transfers in.

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 $26,607,775, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles and furniture and equipment. This amount represents a gross increase of $532,469 from

2010 due primarily to the completion of various improvements other than buildings, the continued construction of the Loyd Star football field and the purchase of various items of furniture and equipment. The District also disposed of five school buses, a covered walkway and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2011, was $7,683,863, and total depreciation expense for the year was $712,979, resulting in total net capital assets of $18,923,912.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2011	June 30, 2010	Percentage Change
Land	$ 389,901	$ 389,901	0.00 %
Construction in Progress	362,286	197,999	82.97 %
Buildings	14,140,350	14,503,070	(2.50) %
Building improvements	1,095,294	1,146,626	(4.48) %
Improvements other than buildings	1,853,092	1,331,898	39.13 %
Mobile equipment	1,003,921	1,197,673	(16.18) %
Furniture and equipment	79,068	88,408	(10.56) %
Total	**$ 18,923,912**	**$ 18,855,575**	**0.36 %**

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

Debt Administration. At June 30, 2011, the District had $5,424,924 in outstanding long-term debt, of which $518,898 is due within one year. The District made principal payments in the amount of $555,000 on existing long-term debt. The liability for compensated absences increased $3,195 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2011	June 30, 2010	Percentage Change
General obligation bonds payable	$ 2,590,000	$ 2,795,000	(7 33) %
Limited obligation bonds payable	2,695,000	2,965,000	(9.11) %
Certificates of participation payable	10,000	90,000	(88.89) %
Compensated absences payable	129,924	126,729	2.52 %
Total	**$ 5,424,924**	**$ 5,976,729**	**(9.23) %**

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial

planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Lincoln County School District, P. O. Box 826, Brookhaven, MS 39602-0826

FINANCIAL STATEMENTS

LINCOLN COUNTY SCHOOL DISTRICT

Statement of Net Assets **Exhibit A**

June 30, 2011

		Governmental Activities
Assets		
Cash and cash equivalents	$	16,906,712
Due from other governments		728,532
Other receivables, net		453,482
Inventories		49,848
Restricted assets		10,963,916
Capital assets, non-depreciable:		
Land		389,901
Construction in progress		362,286
Capital assets, net of accumulated depreciation:		
Buildings		14,140,350
Building improvements		1,095,294
Improvements other than buildings		1,853,092
Mobile equipment		1,003,921
Furniture and equipment		79,068
Total Assets		48,026,402
Liabilities		
Accounts payable and accrued liabilities		233,149
Interest payable on long-term liabilities		59,608
Long-term liabilities, due within one year:		
Capital related liabilities		515,000
Non-capital related liabilities		3,898
Long-term liabilities, due beyond one year:		
Capital related liabilities		4,780,000
Non-capital related liabilities		126,026
Total Liabilities		5,717,681
Net Assets		
Invested in capital assets, net of related debt		13,628,912
Restricted for:		
Expendable:		
School-based activities		2,319,924
Debt service		352,163
Forestry improvements		244,373
Unemployment benefits		74,671
Non-expendable:		
Sixteenth section		10,752,981
Unrestricted		14,935,697
Total Net Assets	$	42,308,721

LINCOLN COUNTY SCHOOL DISTRICT

Statement of Activities **Exhibit B**

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 12,452,240	$ 347,141	$ 2,286,762	$ -	$ (9,818,337)
Support services	6,256,556	-	621,957	-	(5,634,599)
Non-instructional	1,494,121	488,031	937,533	-	(68,557)
Sixteenth section	456,385	83,255	-	-	(373,130)
Interest on long-term liabilities	246,782	-	-	-	(246,782)
Total Governmental Activities	$ 20,906,084	$ 918,427	$ 3,846,252	$ -	$ (16,141,405)

General Revenues:	
Taxes:	
General purpose levies	3,507,757
Debt purpose levies	330,466
Unrestricted grants and contributions:	
State	12,746,862
Federal	973,107
Unrestricted investment earnings	234,742
Sixteenth section sources	1,981,515
Other	36,442
Total General Revenues	19,810,891
Change in Net Assets	3,669,486
Net Assets - Beginning	38,639,235
Net Assets - Ending	$ 42,308,721

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

LINCOLN COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds								
	General Fund	Title I Basic Fund	IDEA Part B Fund	Sixteenth Section Interest Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	$ 5,617,493	$ -	$ -	$ 1,484,043	$ 5,800,246	$ 3,197,293	$ 10,778,306	$ 807,637	$ 27,685,018
Investments	-	-	-	-	-	-	-	185,610	185,610
Due from other governments	337,377	62,102	52,576	-	-	-	-	276,327	728,382
Other receivables, net	-	-	-	390,242	-	-	-	63,240	453,482
Due from other funds	144,979	-	-	-	-	-	-	-	144,979
Inventories	-	-	-	-	-	-	-	49,848	49,848
Total assets	$ 6,099,849	$ 62,102	$ 52,576	$ 1,874,285	$ 5,800,246	$ 3,197,293	$ 10,778,306	$ 1,382,662	$ 29,247,319
Liabilities and Fund Balances									
Liabilities:									
Accounts payable and accrued liabilities	$ 31,767	$ -	$ -	$ 162,451	$ -	$ -	$ 20,348	$ 18,583	$ 233,149
Due to other funds	-	62,102	52,576	-	-	-	-	30,151	144,829
Total Liabilities	31,767	62,102	52,576	162,451	-	-	20,348	48,734	377,978
Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	49,848	49,848
Permanent fund principal	-	-	-	-	-	-	10,752,981	-	10,752,981
Restricted:									
Debt service	-	-	-	-	-	-	-	411,771	411,771
Forestry improvement purposes	-	-	-	-	-	-	-	244,373	244,373
Unemployment benefits	-	-	-	-	-	-	-	74,671	74,671
Other commitments	-	-	-	1,711,834	-	-	4,977	553,265	2,270,076
Committed:									
Textbooks	105,770	-	-	-	-	-	-	-	105,770
Daycare	14,076	-	-	-	-	-	-	-	14,076
Repair and renovation	1,918,035	-	-	-	-	-	-	-	1,918,035
Capital projects	-	-	-	-	5,800,246	3,197,293	-	-	8,997,539
Assigned:									
Activity funds	174,358	-	-	-	-	-	-	-	174,358
Unassigned	3,855,843	-	-	-	-	-	-	-	3,855,843
Total Fund Balances	6,068,082	-	-	1,711,834	5,800,246	3,197,293	10,757,958	1,333,928	28,869,341
Total Liabilities and Fund Balances	$ 6,099,849	$ 62,102	$ 52,576	$ 1,874,285	$ 5,800,246	$ 3,197,293	$ 10,778,306	$ 1,382,662	$ 29,247,319

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

PATRICK E. LOWERY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

LINCOLN COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**

June 30, 2011

Total fund balances for governmental funds		$	28,869,341
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	$ 389,901		
Construction in progress	362,286		
Buildings	19,019,016		
Building improvements	1,283,300		
Improvements other than buildings	2,421,937		
Mobile equipment	2,441,993		
Furniture and equipment	689,342		
Accumulated depreciation	(7,683,863)		18,923,912
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:			
General obligation bonds	(2,590,000)		
Limited obligation bonds	(2,695,000)		
Certificates of participation	(10,000)		
Compensated absences	(129,924)		
Accrued interest payable	(59,608)		(5,484,532)
Net assets of governmental activities		$	42,308,721

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

LINCOLN COUNTY SCHOOL DISTRICT

Governmental Funds

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

For the Year Ended June 30, 2011

	Major Funds								
	General Fund	Title I Basic Fund	IDEA Part B Fund	Sixteenth Section Interest Fund	2005 Construction Fund	Complex Construction Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:									
Local sources	$ 3,978,029	$ -	$ -	$ -	$ 43,766	$ 28,310	$ -	$ 793,606	$ 4,843,711
State sources	12,232,655	-	-	-	-	-	-	993,308	13,225,963
Federal sources	93,916	645,252	632,898	-	-	-	-	2,968,192	4,340,258
Sixteenth section sources	-	-	-	585,649	-	-	1,494,859	85,130	2,165,638
Total Revenues	16,304,600	645,252	632,898	585,649	43,766	28,310	1,494,859	4,840,236	24,575,570
Expenditures:									
Instruction	8,506,980	538,476	347,903	-	-	-	-	2,626,216	12,019,575
Support services	5,362,732	105,507	283,950	-	-	-	-	271,247	6,023,436
Noninstructional services	48,808	1,269	1,045	-	-	-	-	1,409,349	1,460,471
Sixteenth section	14,321	-	-	126,210	-	-	250,425	65,429	456,385
Facilities acquisition and construction	-	-	-	-	784,986	-	-	-	784,986
Debt service:									
Principal	-	-	-	-	-	-	-	555,000	555,000
Interest	-	-	-	-	-	-	-	250,317	250,317
Other	-	-	-	-	-	-	-	2,328	2,328
Total Expenditures	13,932,841	645,252	632,898	126,210	784,986	-	250,425	5,179,886	21,552,498
Excess (Deficiency) of Revenues over (under) Expenditures	2,371,759	-	-	459,439	(741,220)	28,310	1,244,434	(339,650)	3,023,072
Other Financing Sources (Uses):									
Sale of transportation equipment	7,668	-	-	-	-	-	-	-	7,668
Operating transfers in	60,695	-	-	165,467	2,000,000	-	-	334,009	2,560,171
Operating transfers out	(2,334,009)	-	-	(80,347)	-	-	(145,815)	-	(2,560,171)
Total Other Financing Sources (Uses)	(2,265,646)	-	-	85,120	2,000,000	-	(145,815)	334,009	7,668
Net Change in Fund Balances	106,113	-	-	544,559	1,258,780	28,310	1,098,619	(5,641)	3,030,740
Fund Balances, July 1, 2010	5,961,969	-	-	1,167,275	4,541,466	3,168,983	9,659,339	1,326,828	25,825,860
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	-	12,741	12,741
June 30, 2011	$ 6,068,082	$ -	$ -	$ 1,711,834	$ 5,800,246	$ 3,197,293	$ 10,757,958	$ 1,333,928	$ 28,869,341

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

PATRICK E. LOWERY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

LINCOLN 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		$ 3,030,740
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	$ 813,705	
Depreciation expense	(712,979)	100,726
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(32,389)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	555,000	
Accrued interest payable	5,863	560,863
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(3,195)	
Change in inventory reserve	12,741	9,546
Change in net assets of governmental activities		$ 3,669,486

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

LINCOLN COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2011

		Agency Funds
Assets		
Cash and cash equivalents	$	901,866
Total Assets	$	901,866
Liabilities		
Accounts payable and accrued liabilities	$	847,671
Due to other funds		150
Due to student clubs		54,045
Total Liabilities	$	901,866

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 5 member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, Lincoln 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.

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

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.

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 Basic Fund – This fund accounts for the federal revenues and expenditures associated with federal funding for Title I programs.

ARRA IDEA Part B Fund – This fund accounts for the federal revenues and expenditures associated with federal funding for ARRA IDEA Part B (Special Education) programs.

Sixteenth Section Interest Fund – This special revenue fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands. available funds may be transferred to the General Fund or Construction Funds and may be used for appropriate purposes.

2005 Construction Fund – This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund.

Complex Construction Fund –This capital projects fund is used to account for capital expenditures which are financed by transfers from the General Fund and Sixteenth Section Interest Fund.

Sixteenth Section Principal Fund – This permanent fund is used to account for the sale of nonrenewable resources (oil, gas, gravel, sand, etc.) on sixteenth section lands. The use of the fund is limited to providing advances to the General Fund or Capital Projects Fund to finance capital expenditures. State law requires any funds on hand to be invested. Interest income may be transferred to the General Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to

liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 0	0
Buildings	50,000	40 years
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.

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.

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

and Business Manager pursuant to authorization established by 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.

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 $27,685,018 and $901,866, 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.

Investments

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

Investment Type	Rating	Maturities (In years)		Fair Value
Federal U.S. Treasury Cash Reserves Money Market Mutual Funds	AAAm-G	Less than one year	$	185,610
Total			$	185,610

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.

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 fund	$	62,102
	ARRA IDEA Part B fund		52,576
	Other governmental funds		30,151
	Fiduciary funds		150
			-
Total		$	144,979

The primary 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	2005 Construction Fund	$	2,000,000
	Other governmental funds		334,009
16th Section Interest Fund	General Fund		60,695
	16th Section Interest Fund		19,652
16th Section Principal Fund	16th Section Interest Fund		145,815
Total		$	2,560,171

The primary purpose of the interfund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $10,778,306 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 $185,610 of the MAEP Limited Obligation Bond/Note Fund.

Note 5 – Capital Assets

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

	Balance 7-1-2010	Additions	Retirements	Completed Construction	Balance 6-30-2011
Governmental Activities					
Non-depreciable capital assets:					
Land	$ 389,901				$ 389,901
Construction in Progress	197,999	638,821		(474,534)	362,286
Total non-depreciable capital assets	587,900	638,821	0	(474,534)	752,187
Depreciable capital assets:					
Buildings	19,0019,016				19,019,016
Building improvements	1,283,300				1,283,300
Improvements other Than buildings	1,840,865	146,165	39,627	474,534	2,421,937
Mobile equipment	2,677,715		235,722		2,441,993
Furniture and equipment	666,510	28,719	5,887		689,342
Total depreciable capital Assets	25,487,406	174,884	281,236	474,534	25,855,588
Less accumulated depreciation for:					
Buildings	4,515,946	362,720			4,878,666
Building improvements	136,674	51,332			188,006
Improvements other Than buildings	508,967	91,580	31,702		568,845
Mobile equipment	1,480,042	170,180	212,150		1,438,072
Furniture and equipment	578,102	37,167	4,995		610,274
Total accumulated depreciation	7,219,731	712,979	248,847	0	7,683,863
Total depreciable capital assets, net	18,267,675	(538,095)	32,389	474,534	18,171,725
Governmental activities capital assets, net	$ 18,855,575	100,726	32,389	0	$ 18,923,912

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 444,898
Support services	221,850
Non-instructional	46,231
Total depreciation expense - Governmental activities	$ 712,979

Construction in progress is composed of:

	Spent to June 30, 2011	Remaining Commitment
Governmental Activities:		
Loyd Star football field	$ 362,286	$ **
Total governmental activities	362,286	-

** The Loyd Star football field is being completed in Phases. Phase I has been completed. The future Phases have not been started so the remaining commitment cannot be estimated.

Construction projects included in governmental activities are funded with Sixteenth section interest funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due within one year
A. General obligation bonds payable	$ 2,795,000	$	$ 205,000	$ 2,590,000	$ 220,000
B. Limited obligation bonds payable	2,965,000		270,000	2,695,000	285,000
C Certificates of participation payable	90,000		80,000	10,000	10,000
D. Compensated absences payable	126,729	3,195	-	129,924	3,898
Total	$ 5,976,729	$ 3,195	$ 555,000	$ 5,424,924	$ 518,898

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 payable	3.25-4.6%	12/1/2002	6/1/2020	$ 3,800,000	$ 2,590,000
Total				$ 3,800,000	$ 2,590,000

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

General obligation bond issue of 12/1/2002:

Year Ending June 30	Principal	Interest	Total
2012	$ 220,000	$ 109,528	$ 329,528
2013	240,000	101,388	341,388
2014	255,000	92,268	347,268
2015	270,000	82,322	352,322
2016	290,000	71,522	361,522
2017 – 2021	1,315,000	153,770	1,468,770
Total	$ 2,590,000	$ 610,798	$ 3,200,798

This debt will be retired from the 2002 Bond and Interest Fund (Debt Service 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 3.5% of property assessments as of October 1, 2010.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, Series 1998	4.2-6.%	3/1/1998	2/1/2018	$ 5,200,000	$ 2,695,000
Total				$ 5,200,000	$ 2,695,000

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

Limited obligation bond issue of 3/1/1998:

Year Ending June 30	Principal	Interest	Total
2012	$ 285,000	$ 116,192	$ 401,192
2013	300,000	103,030	403,030
2014	310,000	89,150	399,150
2015	325,000	74,545	399,545
2016	340,000	59,250	399,250
2017 – 2021	1,135,000	69,928	1,204,928
			-
Total	$ 2,695,000	$ 512,095	$ 3,207,095

This debt will be retired from the MAEP Long Term Pledge Fund (Debt Service Fund).

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

C. Certification of Participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certifications of Participation , Series 1998	4.95%	6/1/1998	6/1/2012	$ 2,000,000	$ 10,000
Total				$ 2,000,000	$ 10,000

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

Certificate of participation payable issue of 6/1/1998:

Year Ending June 30		Principal	Interest	Total
2012	$	10,000 $	495 $	10,495
Total	$	10,000 $	495 $	10,495

This debt will be retired from the EEF Building and Buses Fund (Special Revenue Fund).

The district has pledged state appropriations for EEF School Buildings and Buses in the amount of $93,461. The purpose of the pledge is to repay certificates of participation of the district. The pledge will remain in effect through 2012. The amount of the pledge is the total amount of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements of the debt.

D. **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.Seventeen copiers

2.One Pitney Bowes desktop mailing system

Lease expenditures for the year ended June 30, 2011, amounted to $30,000.

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2012	$	30,000
2013		30,000
2014		4,468
Total	$	64,468

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 $1,321,045; $1,299,368 and $1,258,136, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2012	$	101,623
2013		87,289
2014		75,725
2015		41,449
2016		36,869
2017 – 2021		151,736
2022 – 2026		82,592
2027 – 2031		81,802
2032 – 2036		42,578
Total	$	701,663

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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 – Trust Certificates

A trust agreement dated June 1, 1998, was executed by and between the school district and Lincoln County Leasing Authority, Inc. as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of $2,000,000. Approximately $1,992,663 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately $7,337 was used to pay the cost of issuance.

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

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

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

Note 13 - 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 Lincoln County School District evaluated the activity of the district through August 6, 2012, and determined that no subsequent event had occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 4,083,727	$ 4,068,935	$ 3,978,029	$ (14,792)	$ (90,906)
State sources	12,997,770	12,256,216	12,232,655	(741,554)	(23,561)
Federal sources	80,500	95,291	93,916	14,791	(1,375)
Total Revenues	17,161,997	16,420,442	16,304,600	(741,555)	(115,842)
Expenditures:					
Instruction	10,829,147	9,165,076	8,506,980	1,664,071	658,096
Support services	7,435,542	6,560,975	5,362,732	874,567	1,198,243
Noninstructional services	55,317	63,087	48,808	(7,770)	14,279
Sixteenth section	14,659	14,659	14,321	0	338
Facilities acquisition & construction	151,000	4,000	0	147,000	4,000
Total Expenditures	18,485,665	15,807,797	13,932,841	2,677,868	1,874,956
Excess (Deficiency) of Revenues over (under) Expenditures	(1,323,668)	612,645	2,371,759	1,936,313	1,759,114
Other Financing Sources (Uses):					
Sale of transportation equipment	0	7,669	7,668	7,669	(1)
Operating transfers in	1,682,646	2,345,366	60,695	662,720	(2,284,671)
Other financing sources	0	0	0	0	0
Operating transfers out	(2,099,595)	(4,637,258)	(2,334,009)	(2,537,663)	2,303,249
Total Other Financing Sources (Uses)	(416,949)	(2,284,223)	(2,265,646)	(1,867,274)	18,577
Net Change in Fund Balances	(1,740,617)	(1,671,578)	106,113	69,039	1,777,691
Fund Balances:					
July 1, 2010	4,028,555	5,961,969	5,961,969	1,933,414	0
June 30, 2011	$ 2,287,938	$ 4,290,391	$ 6,068,082	$ 2,002,453	$ 1,777,691

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

LINCOLN COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	825,218	839,876	645,252	14,658	(194,624)
Total Revenues	825,218	839,876	645,252	14,658	(194,624)
Expenditures:					
Instruction	632,070	646,071	538,476	(14,001)	107,595
Support services	169,571	183,406	105,507	(13,835)	77,899
Noninstructional services	8,388	10,399	1,269	(2,011)	9,130
Total Expenditures	810,029	839,876	645,252	(29,847)	194,624
Excess (Deficiency) of Revenues over (under) Expenditures	15,189	0	0	(15,189)	0
Other Financing Sources (Uses):					
Operating transfers out	(15,189)	0	0	15,189	0
Total Other Financing Sources (Uses)	(15,189)	0	0	15,189	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	$ 0	$ 0	$ 0	$ 0

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

LINCOLN COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
IDEA Part B Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	1,083,245	1,077,984	632,898	(5,261)	(445,086)
Total Revenues	1,083,245	1,077,984	632,898	(5,261)	(445,086)
Expenditures:					
Instruction	605,303	613,154	347,903	(7,851)	265,251
Support services	458,442	462,330	283,950	(3,888)	178,380
Noninstructional services	2,500	2,500	1,045	0	1,455
Total Expenditures	1,066,245	1,077,984	632,898	(11,739)	445,086
Excess (Deficiency) of Revenues over (under) Expenditures	17,000	0	0	(17,000)	0
Other Financing Sources (Uses):					
Operating transfers out	(17,000)	0	0	17,000	0
Total Other Financing Sources (Uses)	(17,000)	0	0	17,000	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2010	0	0	0	0	0
June 30, 2011	$ 0	$ 0	$ 0	$ 0	$ 0

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

LINCOLN COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	878,410	602,557	585,649	(275,853)	(16,908)
Total Revenues	878,410	602,557	585,649	(275,853)	(16,908)
Expenditures:					
Sixteenth section sources	255,367	131,977	126,210	123,390	5,767
Total Expenditures	255,367	131,977	126,210	123,390	5,767
Excess (Deficiency) of Revenues over (under) Expenditures	623,043	470,580	459,439	(152,463)	(11,141)
Other Financing Sources (Uses):					
Operating transfers in	539,850	165,488	165,467	(374,362)	(21)
Operating transfers out	(539,850)	(80,352)	(80,347)	459,498	5
Total Other Financing Sources (Uses)	0	85,136	85,120	85,136	(16)
Net Change in Fund Balances	623,043	555,716	544,559	(67,327)	(11,157)
Fund Balances:					
July 1, 2010	1,887,062	1,167,275	1,167,275	(719,787)	0
June 30, 2011	$ 2,510,105	$ 1,722,991	$ 1,711,834	$ (787,114)	$ (11,157)

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

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

LINCOLN 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.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 237,523
National school lunch program	10.555	798,720
Total child nutrition cluster		1,036,243
Total passed-through Mississippi Department of Education		1,036,243
Total U.S. Department of Agriculture		1,036,243
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	74,773
Total Federal Communications Commission		74,773
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	776,552
Career and technical education - basic grants to states	84.048	26,205
Safe and drug-free schools and communities- state grants	84.186	9,165
School improvement grants	84.377	42,092
Education technology state grants	84.318	4,315
Education jobs fund	84.410	656,527
Rural education	84 358	1,633
Improving teacher quality state grants	84.367	169,409
Subtotal		1,685,898
Special education cluster:		
Special education - grants to states	84.027	632,898
Special education - preschool grants	84.173	12,111
Total special education cluster		645,009
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	879,192
Total State Fiscal Stabilization Fund cluster		879,192
Total passed-through Mississippi Department of Education		3,210,099
Total U.S. Department of Education		3,210,099
Total for All Federal Awards		$ 4,321,115

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.

LINCOLN 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	$	15,097,207	11,920,896	710,280	818,088	1,647,943
Other		6,455,291	1,379,829	171,020	35,032	4,869,410
Total	$	21,552,498	13,300,725	881,300	853,120	6,517,353
Total number of students *		2,827				
Cost per student	$	7,624	4,705	312	302	2,305

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

LINCOLN 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	$ 3,978,029	$ 3,969,675	$ 3,822,329	$ 3,884,031
State sources	12,232,655	12,823,797	13,807,313	13,734,155
Federal sources	93,916	94,752	82,550	284,422
Total Revenues	16,304,600	16,888,224	17,712,192	17,902,608
Expenditures:				
Instruction	8,506,980	8,895,370	9,989,935	9,861,753
Support services	5,362,732	5,403,403	5,430,114	5,572,898
Noninstructional services	48,808	42,346	47,169	71,938
Sixteenth section	14,321	13,970	14,608	14,362
Facilities acquisition and construction	0			35,499
Total Expenditures	13,932,841	14,355,089	15,481,826	15,556,450
Excess (Deficiency) of Revenues over (under) Expenditures	2,371,759	2,533,135	2,230,366	2,346,158
Other Financing Sources (Uses):				
Payment to refunded bond escrow agent				141,993
Sale of transportation equipment	7,668		1,237	3,157
Sale of other property		700	500	101
Operating transfers in	60,695	513,934	164,428	262,030
Operating transfers out	(2,334,009)	(1,534,809)	(2,488,141)	(1,691,632)
Total Other Financing Sources (Uses)	(2,265,646)	(1,020,175)	(2,321,976)	(1,284,351)
Net Change in Fund Balances	106,113	1,512,960	(91,610)	1,061,807
Fund Balances:				
Beginning of period, as originally reported	5,961,969	4,449,009	4,539,843	3,478,036
Prior period adjustments			776	
Beginning of period, as restated	5,961,969	4,449,009	4,540,619	3,478,036
End of Period	$ 6,068,082	$ 5,961,969	$ 4,449,009	$ 4,539,843

*SOURCE - PRIOR YEAR AUDIT REPORTS

LINCOLN 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	$ 4,843,711	$ 4,888,524	$ 4,614,370	$ 4,817,132
State sources	13,225,963	13,546,088	14,512,772	14,444,292
Federal sources	4,340,258	3,866,642	2,588,718	2,755,482
Sixteenth section sources	2,165,638	3,591,413	2,683,574	3,282,304
Total Revenues	24,575,570	25,892,667	24,399,434	25,299,210
Expenditures:				
Instruction	12,019,575	11,932,218	11,688,502	11,586,719
Support services	6,023,436	5,951,300	6,053,763	6,154,386
Noninstructional services	1,460,471	1,384,805	1,392,782	1,358,636
Sixteenth section	456,385	491,609	460,829	598,075
Facilities acquisition and construction	784,986	349,478	599,641	2,450,510
Debt service:				
Principal	555,000	525,000	510,000	470,000
Interest	250,317	272,684	294,140	314,295
Other	2,328	2,352	2,340	2,399
Total Expenditures	21,552,498	20,909,446	21,001,997	22,935,020
Excess (Deficiency) of Revenues over (under) Expenditures	3,023,072	4,983,221	3,397,437	2,364,190
Other Financing Sources (Uses):				
Insurance recovery				141,993
Sale of transportation equipment	7,668		1,237	3,157
Sale of other property		700	500	101
Operating transfers in	2,560,171	4,945,495	2,652,569	1,998,635
Operating transfers out	(2,560,171)	(4,945,495)	(2,652,569)	(1,998,635)
Total Other Financing Sources (Uses)	7,668	700	1,737	145,251
Net Change in Fund Balances	3,030,740	4,983,921	3,399,174	2,509,441
Fund Balances:				
Beginning of period, as originally reported	25,825,860	20,845,413	17,438,170	14,928,690
Prior period adjustments	0		776	
Beginning of period, as restated	25,825,860	20,845,413	17,438,946	14,928,690
Increase (Decrease) in reserve for inventory	12,741	(3,474)	7,293	39
End of Period	$ 28,869,341	$ 25,825,860	$ 20,845,413	$ 17,438,170

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

PATRICK E. LOWERY AND ASSOCIATES

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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

Lincoln County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2011, which collectively comprise Lincoln County School District's basic financial statements and have issued our report thereon dated August 6, 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

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

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

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

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

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

August 6, 2012

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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 ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board

Lincoln County School District

Compliance

We have audited Lincoln 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 Lincoln County School District's major federal programs for the year ended June 30, 2011. Lincoln 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 Lincoln County School District's management. Our responsibility is to express an opinion on Lincoln 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 Lincoln 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 of Lincoln County School District's compliance with those requirements.

In our opinion, Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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.

This report is intended solely for the information and use of management, 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.

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

August 6, 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
Lincoln County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lincoln County School District as of and for the year ended June 30, 2011, which collectively comprise Lincoln County School District's basic financial statements and have issued our report thereon dated August 6, 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 $4,180 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

Patrick E. Lowery and Associates

Patrick E. Lowery and Associates

August 6, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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 deficiency identified? None reported

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? No

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.394	ARRA-State Fiscal Stabilization Fund, Recovery Act
84.410	Education Jobs Fund

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

The results of our tests did not disclose any findings and questioned costs related to the federal awards.