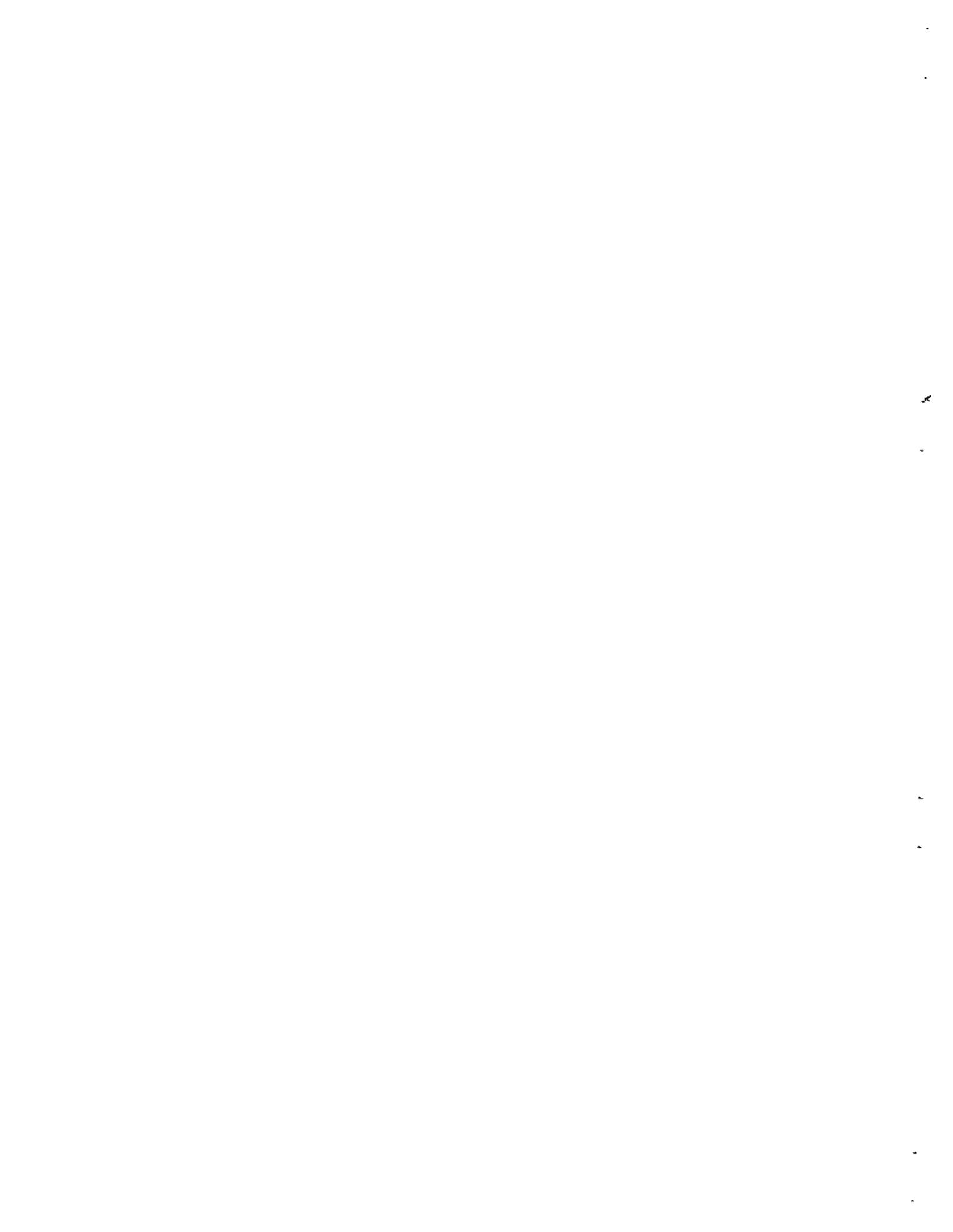




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LOWNDES COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2011



LOWNDES COUNTY SCHOOL DISTRICT

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LOWNDES COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT



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American Institute of Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board Lowndes 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 Lowndes County School District as of and for the year ended June 30, 2011, which collectively comprise the Lowndes County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lowndes 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 Lowndes 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 January 10, 2012, on our consideration of the Lowndes 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, which 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 Lowndes 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 Lowndes 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.

J. E. Satt Company

LOWNDES COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$5,926,870, which represents a 12.4% increase from fiscal year 2010. Total net assets for 2010 increased \$710,831, including a prior period adjustment of \$(64,457), which represents a 1.5% increase from fiscal year 2009.
- General revenues amounted to \$41,814,692 and \$41,718,514, or 81.5% and 85.1% 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 \$9,471,405, or 18.5% of total revenues for 2011, and \$7,315,961, or 14.9% of total revenues for 2010.
- The District had \$45,359,227 and \$48,259,187 in expenses for fiscal years 2011 and 2010; only 9,471,405 for 2011 and \$7,315,961 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$41,814,692 for 2011 and \$41,718,514 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$38,727,611 in revenues and \$31,943,722 in expenditures for 2011, and \$37,523,558 in revenues and \$32,710,673 in expenditures in 2010. The General Fund's fund balance increased by \$765,353 from 2010 to 2011, and decreased \$3,634,533 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$1,611,559 for 2011 and decreased by \$1,434,967 for 2010. The increase for 2011 was due to the renovations of the Caledonia campus and Central Office, coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,524,530 for 2011 and increased by \$3,019,914 for 2010. This decrease for 2011 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$53,304 for 2011 and decreased by \$13,099 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Governmental funds (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**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 \$53,829,789 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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

Table 1
Condensed Statement of Net Assets

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 25,800,362	\$ 22,310,255	15.6%
Restricted assets	2,218,412	4,411,336	(49.7%)
Capital assets, net	<u>42,764,840</u>	<u>41,153,281</u>	3.9%
Total assets	<u>70,783,614</u>	<u>67,874,872</u>	4.3%
Current liabilities	3,602,013	5,095,611	(29.3%)
Long-term debt outstanding	<u>13,351,812</u>	<u>14,876,342</u>	(10.2%)
Total liabilities	<u>16,953,825</u>	<u>19,971,953</u>	(15.1%)
Net assets:			
Invested in capital assets, net of related debt	30,559,840	28,175,446	8.5%
Restricted	16,553,608	6,490,981	155.0%
Unrestricted	<u>6,716,341</u>	<u>13,236,492</u>	(49.3%)
Total net assets	<u>\$ 53,829,789</u>	<u>\$ 47,902,919</u>	12.4%

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 \$1,611,559
- The principal retirement of \$1,577,834 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 \$51,286,097 and \$49,034,475, respectively. The total cost of all programs and services was \$45,359,227 for 2011 and \$48,259,187 for 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,170,373	\$ 1,640,006	(28.6%)
Operating grants and contributions	8,301,032	5,675,955	46.2%
General revenues:			
Property taxes	19,254,946	16,855,387	14.2%
Grants and contributions not restricted	21,295,452	23,613,395	(9.8%)
Investment earnings	262,419	242,784	8.1%
Sixteenth Section sources	166,908	358,350	(53.4%)
Other	<u>834,967</u>	<u>648,598</u>	28.7%
Total revenues	<u>51,286,097</u>	<u>49,034,475</u>	4.6%
Expenses:			
Instruction	25,844,572	26,381,259	(2.0%)
Support services	16,938,222	19,196,612	(11.8%)
Non-instructional	2,071,633	2,045,943	1.3%
Sixteenth Section	94,063	110,099	(14.6%)
Interest and other expenses on long-term liabilities	<u>410,737</u>	<u>525,274</u>	(21.8%)
Total expenses	<u>45,359,227</u>	<u>48,259,187</u>	(6.0%)
Increase in net assets	<u>5,926,870</u>	<u>775,288</u>	664.5%
Net Assets, July 1, as originally reported	<u>47,902,919</u>	<u>47,192,088</u>	1.5%
Prior Period Adjustment	<u>-</u>	<u>(64,457)</u>	100.0%
Net assets, July 1, as restated	<u>47,902,919</u>	<u>47,127,631</u>	1.6%
Net assets, June 30	<u>\$ 53,829,789</u>	<u>\$ 47,902,919</u>	12.4%

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 25,844,572	\$ 26,381,259	(2.0%)
Support services	16,938,222	19,196,612	(11.8%)
Non-instructional	2,071,633	2,045,943	1.3%
Sixteenth Section	94,063	110,099	(14.6%)
Interest on long-term liabilities	<u>410,737</u>	<u>525,274</u>	(21.8%)
Total expenses	<u>\$ 45,359,227</u>	<u>\$ 48,259,187</u>	(6.0%)
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ (21,101,906)	\$ (23,224,560)	9.1%
Support services	(14,266,683)	(17,495,113)	18.5%
Non-instructional	(15,319)	411,820	(103.7%)
Sixteenth Section	(93,177)	(110,099)	15.4%
Interest on long-term liabilities	<u>(410,737)</u>	<u>(525,274)</u>	21.8%
Total net (expense) revenue	<u>\$ (35,887,822)</u>	<u>\$ (40,943,226)</u>	12.3%

- Net cost of governmental activities (\$35,887,822 for 2011 and \$40,943,226 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$19,254,946 for 2011 and \$16,855,387 for 2010) and state and federal revenues (\$21,295,452 for 2011 and \$23,613,395 for 2010). In addition, there was \$166,908 and \$358,350 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$262,419 for 2011 and \$242,784 for 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

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 \$24,582,058, an increase of \$2,769,362, which includes an increase in reserve for inventory of \$9,018. \$7,435,297 or 30.3% 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 \$17,146,761 or 69.8% 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 \$765,353. The fund balance of Other Governmental Funds showed an increase in the amount of \$154,346, which includes an increase in reserve for inventory of \$9,018. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase</u>
Sixteenth Section	
Interest Fund	\$ 95,214
Local Construction Fund	1,754,449

BUDGETARY HIGHLIGHTS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$74,531,586, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$3,142,060 from 2010. Total accumulated depreciation as of June 30, 2011, was \$31,766,746, and total depreciation expense for the year was \$1,636,405, resulting in total net capital assets of \$42,764,840.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 1,564,855	\$ 1,564,855	0.0%
Construction in progress	2,697,784	122,392	2,104.2%
Buildings	31,246,428	32,159,006	(2.8%)
Building improvements	1,236,197	1,298,007	(4.8%)
Improvements other than buildings	4,004,437	4,207,297	(4.8%)
Mobile equipment	1,666,677	1,576,303	5.7%
Furniture and equipment	<u>348,462</u>	<u>225,421</u>	54.6%
Total	<u>\$ 42,764,840</u>	<u>\$ 41,153,281</u>	3.9%

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 \$13,351,812 in outstanding long-term debt, of which \$1,796,745 is due within one year. The liability for compensated absences increased \$53,304 from the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2011

Table 5
Outstanding Long-Term Debt

	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ -	\$ 110,000	(100.0%)
Limited obligation bonds payable	3,030,000	3,730,000	(18.8%)
Three mill notes payable	6,175,000	6,580,000	(6.2%)
Shortfall notes payable	755,179	1,118,013	(32.5%)
Qualified school construction bonds payable	3,000,000	3,000,000	0.0%
Compensated absences payable	<u>391,633</u>	<u>338,329</u>	15.8%
Total	<u>\$ 13,351,812</u>	<u>\$ 14,876,342</u>	(10.2%)

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

CURRENT ISSUES

In keeping with the vision of the Lowndes County School District to provide a superior educational system, all facets of the District demonstrate a commitment to continuously improve the services to students and, as stated in the mission of the District, "challenge all students to attain their greatest potential." The Board of Education, the administration, the teachers, the support staff, the students, and the community are proud of the achievements in the District and will continue to work toward further improvements.

The Lowndes County School District's system of financial planning, budgeting and internal financial controls are performed with high standards of excellence also insuring that all students may attain their greatest potential. The District has strong principles to continue its sound fiscal management to meet the needs for education in the future.

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 Lowndes County School District, 1053 Highway 45 South, Columbus, MS 39701.

LOWNDES COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents (Notes 1-G and 2)	\$ 23,122,112
Due from other governments (Note 1-G)	2,579,280
Lease receivables	20,008
Inventories (Note 1-G)	78,962
Restricted assets (Note 4)	2,218,412
Capital assets, non-depreciable (Notes 1-G and 5):	
Land	1,564,855
Construction in progress	2,697,784
Capital assets, net of accumulated depreciation:	
Buildings	31,246,428
Building improvements	1,236,197
Improvements other than buildings	4,004,437
Mobile equipment	1,666,677
Furniture and equipment	348,462
Total Assets	<u>70,783,614</u>
LIABILITIES	
Accounts payable and accrued liabilities	3,436,716
Interest payable on long-term liabilities	165,297
Long-term liabilities, due within one year (Notes 1-G and 6):	
Capital related liabilities	1,170,000
Non-capital related liabilities	411,745
Long-term liabilities, due beyond one year (Notes 1-G and 6):	
Capital related liabilities	11,035,000
Non-capital related liabilities	735,067
Total Liabilities	<u>16,953,825</u>
NET ASSETS	
Invested in capital assets, net of related debt	30,559,840
Restricted net assets:	
Expendable:	
School-based activities	4,652,320
Debt service	1,900,196
Capital improvements	9,342,491
Forestry improvements	89,290
Unemployment benefits	117,960
Non-expendable:	
Sixteenth Section	451,351
Unrestricted	<u>6,716,341</u>
Total Net Assets	<u>\$ 53,829,789</u>

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 25,844,572	\$ 666,395	\$ 4,076,271	\$ (21,101,906)
Support services	16,938,222	-	2,671,539	(14,266,683)
Non-instructional	2,071,633	503,092	1,553,222	(15,319)
Sixteenth Section	94,063	886	-	(93,177)
Interest on long-term liabilities	<u>410,737</u>	<u>-</u>	<u>-</u>	<u>(410,737)</u>
Total Governmental Activities	<u>\$ 45,359,227</u>	<u>\$ 1,170,373</u>	<u>\$ 8,301,032</u>	<u>\$ (35,887,822)</u>
		General Revenues:		
		Taxes:		
		General purpose levies	\$ 12,121,669	
		Debt purpose levies	1,438,958	
		In-lieu of taxes - TVA	5,694,319	
		Unrestricted grants and contributions:		
		State	19,774,030	
		Federal	1,521,422	
		Unrestricted investment earnings	262,419	
		Sixteenth Section sources	166,908	
		Other	<u>834,967</u>	
		Total General Revenues	<u>41,814,692</u>	
		Change in Net Assets		5,926,870
		Net Assets - Beginning		<u>47,902,919</u>
		Net Assets - Ending		<u><u>\$ 53,829,789</u></u>

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

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Local Construction Fund		
ASSETS					
Cash and cash equivalents (Notes 1-G and 2)	\$ 7,832,056	\$ 3,878,542	\$ 10,518,065	\$ 2,744,489	\$ 24,973,152
Investments (Note 2)	-	-	-	367,372	367,372
Due from other governments (Note 1-G)	952,644	-	-	1,626,636	2,579,280
Other receivables, net	-	16,575	-	3,433	20,008
Due from other funds (Note 3-A)	907,947	-	-	-	907,947
Inventories (Note 1-G)	-	-	-	78,962	78,962
Total Assets	\$ 9,692,647	\$ 3,895,117	\$ 10,518,065	\$ 4,820,892	\$ 28,926,721
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,829,494	\$ -	\$ 1,175,574	\$ 431,648	\$ 3,436,716
Due to other funds (Note 3-A)	-	-	-	907,947	907,947
Total liabilities	1,829,494	-	1,175,574	1,339,595	4,344,663
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	78,962	78,962
Permanent fund principal	-	-	-	451,351	451,351
Restricted:					
Debt service	-	-	-	2,065,493	2,065,493
Capital projects	-	-	247,563	-	247,563
Forestry improvement purposes	-	-	-	89,290	89,290
Unemployment benefits	-	-	-	117,960	117,960
Other purposes	-	3,895,117	-	625,626	4,520,743
Assigned:					
Capital improvements	-	-	9,094,928	-	9,094,928
Other purposes	427,856	-	-	52,615	480,471
Unassigned	7,435,297	-	-	-	7,435,297
Total fund balances	7,863,153	3,895,117	9,342,491	3,481,297	24,582,058
Total Liabilities and Fund Balances	\$ 9,692,647	\$ 3,895,117	\$ 10,518,065	\$ 4,820,892	\$ 28,926,721

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

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30 2011

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 24,582,058
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$31,766,746 (Note 5).	42,764,840
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note 6).	(13,351,812)
3. Governmental funds recognize interest on long-term debt when it becomes due; however, the Statement of Net Assets recognizes interest as it accrues.	<u>(165,297)</u>
Total Net Assets - Governmental Activities	<u>\$ 53,829,789</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds				Total Governmental Funds
	General Fund	16th Section Interest Fund	Local Construction Fund	Other Governmental Funds	
REVENUES					
Local sources	\$ 18,775,238	\$ -	\$ -	\$ 2,291,265	\$ 21,066,503
State sources	19,229,105	-	-	1,510,332	20,739,437
Federal sources	723,268	-	-	8,588,867	9,312,135
Sixteenth section sources	-	143,220	-	23,688	166,908
Total Revenues	<u>38,727,611</u>	<u>143,220</u>	<u>-</u>	<u>12,414,152</u>	<u>51,284,983</u>
EXPENDITURES					
Instruction	18,942,659	-	-	5,862,009	24,804,668
Support services	13,001,063	-	434,606	3,491,482	16,927,151
Noninstructional services	-	-	-	2,114,489	2,114,489
Sixteenth section	-	54,046	-	40,017	94,063
Facilities acquisition and construction	-	-	2,575,392	-	2,575,392
Debt service:					
Principal (Note 6)	-	-	-	1,577,834	1,577,834
Interest	-	-	-	424,331	424,331
Other	-	-	-	7,825	7,825
Total Expenditures	<u>31,943,722</u>	<u>54,046</u>	<u>3,009,998</u>	<u>13,517,987</u>	<u>48,525,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,783,889</u>	<u>89,174</u>	<u>(3,009,998)</u>	<u>(1,103,835)</u>	<u>2,759,230</u>

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2011

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Local Construction Fund		
Excess (Deficiency) of Revenues Over (Under) Expenditures (brought forward)	\$ 6,783,889	\$ 89,174	\$ (3,009,998)	\$ (1,103,835)	\$ 2,759,230
OTHER FINANCING SOURCES (USES)					
Insurance recovery	8,855	-	-	-	8,855
Operating transfers in (Note 3-C)	115,370	6,040	5,200,173	1,565,633	6,887,216
Operating transfers out (Note 3-C)	(6,142,761)	-	(435,726)	(308,729)	(6,887,216)
Other financing uses	-	-	-	(7,741)	(7,741)
Total Other Financing Sources (Uses)	<u>(6,018,536)</u>	<u>6,040</u>	<u>4,764,447</u>	<u>1,249,163</u>	<u>1,114</u>
Net Change in Fund Balances	765,353	95,214	1,754,449	145,328	2,760,344
Fund Balances:					
July 1, 2010	7,097,800	3,799,903	7,588,042	3,326,951	21,812,696
Increase in reserve for inventory	-	-	-	9,018	9,018
June 30, 2011	<u>\$ 7,863,153</u>	<u>\$ 3,895,117</u>	<u>\$ 9,342,491</u>	<u>\$ 3,481,297</u>	<u>\$ 24,582,058</u>

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

**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

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 2,760,344
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$3,253,665 and the depreciation expense amounted to \$1,636,405. Retirements amounted to \$5,701 (Note 5).	1,611,559
2. The repayment of the principal on long-term debt consumes current financial resources of governmental funds but has no effect on net assets (Note 6).	1,577,834
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	21,419
4. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	9,018
5. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(53,304)
Change in Net Assets of Governmental Activities	\$ 5,926,870

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

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Private-Purpose Trust Funds	Agency Funds
<i>ASSETS</i>		
Cash and cash equivalents (Notes 1-G and 2)	\$ 11,897	\$ 17,864
Total Assets	<u>\$ 11,897</u>	<u>\$ 17,864</u>
<i>LIABILITIES</i>		
Due to student clubs	\$ -	\$ 17,864
Total Liabilities	<u>\$ -</u>	<u>\$ 17,864</u>
<i>Net Assets</i>		
Reserve for endowments	\$ 11,897	
Total Net Assets	<u>\$ 11,897</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Private- Purpose Trust Funds</u>
<i>ADDITIONS</i>	
Interest on investments	\$ 654
Total additions	<u> 654</u>
<i>DEDUCTIONS</i>	
Scholarships awarded	<u> 388</u>
Total deductions	<u> 388</u>
Change in Net Assets	266
Net Assets	
July 1, 2010	<u> 11,631</u>
June 30, 2011	<u>\$ 11,897</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Financial Reporting Entity

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

For financial reporting purposes, Lowndes 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

LOWNDES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (Continued)

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.

Sixteenth Section Interest Fund

This 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 used for appropriate purposes.

Local Construction Fund

This capital projects fund is used to account for the expenditures associated with construction projects and is financed with local sources that have been designated by the school board.

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

The School District also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

Payroll Clearing Fund

This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing

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

Student Club Accounts

These funds are used to account for the transaction of student clubs.

Private Purpose Trust Funds

These funds are used to provide scholarships to students.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

Permanent Funds

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

FIDUCIARY FUNDS

Private-purpose Trust Funds

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

Agency Funds

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

E. Account Classification

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.

F. 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.

G. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities, and net assets/fund balances (Continued)

1. Cash, Cash equivalents and Investments (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities, and net assets/fund balances (Continued)

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 a restricted asset because the Sixteenth 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 and construction in process.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities, and net assets/fund balances (Continued)

6. Capital Assets (Continued)

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	*	*
Intangible assets	**	**

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

(**) There is no mandated maximum amortization period. Intangible assets with indefinite useful lives should not be amortized.

The term 'depreciation' includes the amortization of intangible assets.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities, and net assets/fund balances (Continued)

8. Long-term Liabilities

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

The governmental fund financial statements recognize the proceeds of debt 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.

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 the School District.

LOWNDES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Assets, liabilities, and net assets/fund balances (Continued)

9. Fund Balances (Continued)

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 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 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:

Custodial Credit Risks - 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 District'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.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments. Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorize 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.

As of June 30, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (In Years)</u>	<u>Fair Value</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	AAAm	Less than 1	<u>\$ 367,372</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 907,947</u>

C. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,142,761
	Local Construction Fund	5,000,000
Local Construction Fund	Other Governmental Funds	435,726
Other Governmental Funds	General Fund	102,516
	Sixteenth Section Interest Fund	6,040
	Local Construction Fund	<u>200,173</u>
		<u>\$ 6,887,216</u>

The transfers in and out were for the payment obligations on the Debt Service Fund, closing entries, and funding of the vocation program in the Other Governmental Funds.

NOTE 4 – RESTRICTED ASSETS

The restricted assets represent the cash and investment balances of the following funds which are legally restricted and may not be used for purposes that support the District's programs.

<u>Funds with Restricted Balances</u>	<u>Account</u>	<u>Amount</u>
QSCB Construction Fund	Cash	\$ 188,170
Unemployment Compensation Fund	Cash	127,871
Shortfall Debt Service Fund	Cash	362,155
Three Mill Debt Service Fund	Cash	714,501
Sixteen Section Principal Fund	Cash	458,343
MAEP Debt Service Fund	Investment	<u>367,372</u>
		<u>\$ 2,218,412</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 1,564,855	\$ -	\$ -	\$ 1,564,855
Construction in progress	<u>122,392</u>	<u>2,575,392</u>	<u>-</u>	<u>2,697,784</u>
Total non-depreciable capital assets	<u>1,687,247</u>	<u>2,575,392</u>	<u>-</u>	<u>4,262,639</u>
<u>Depreciable capital assets:</u>				
Buildings	56,705,957	-	-	56,705,957
Building improvements	1,545,247	-	-	1,545,247
Improvements other than buildings	5,151,155	-	-	5,151,155
Mobile equipment	4,749,195	370,899	50,942	5,069,152
Furniture and equipment	<u>1,550,725</u>	<u>307,374</u>	<u>60,663</u>	<u>1,797,436</u>
Total depreciable capital assets	<u>69,702,279</u>	<u>678,273</u>	<u>111,605</u>	<u>70,268,947</u>
<u>Less accumulated depreciation for:</u>				
Buildings	24,546,951	912,578	-	25,459,529
Building improvements	247,240	61,810	-	309,050
Improvements other than buildings	943,858	202,860	-	1,146,718
Mobile equipment	3,172,892	275,430	45,847	3,402,475
Furniture and equipment	<u>1,325,304</u>	<u>183,727</u>	<u>60,057</u>	<u>1,448,974</u>
Total accumulated depreciation	<u>30,236,245</u>	<u>1,636,405</u>	<u>105,904</u>	<u>31,766,746</u>
Total depreciable capital assets, net	<u>39,466,034</u>	<u>(958,132)</u>	<u>5,701</u>	<u>38,502,201</u>
Governmental activities capital assets, net	<u>\$ 41,153,281</u>	<u>\$ 1,617,260</u>	<u>\$ 5,701</u>	<u>\$ 42,764,840</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 1,203,568
Support services	397,144
Non-instructional	<u>35,693</u>
Total depreciation expense - Governmental activities	<u>\$ 1,636,405</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Caledonia campus additions	\$ 1,939,510	\$ 7,216
Central Office renovations	693,284	170,563
New Hope soccer field bleacher replacement	<u>64,990</u>	<u>69,784</u>
Total governmental activities	<u>\$ 2,697,784</u>	<u>\$ 247,563</u>

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

NOTE 6 – LONG-TERM LIABILITIES

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

	<u>Balance 7/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2011</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 110,000	\$ -	\$ (110,000)	\$ -	\$ -
B. Limited obligation bonds payable	3,730,000	-	(700,000)	3,030,000	720,000
C. Three mill notes payable	6,580,000	-	(405,000)	6,175,000	450,000
D. Shortfall notes payable	1,118,013	-	(362,834)	755,179	372,582
E. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
F. Compensated absences payable	<u>338,329</u>	<u>53,304</u>	<u>-</u>	<u>391,633</u>	<u>39,163</u>
Total	<u>\$ 14,876,342</u>	<u>\$ 53,304</u>	<u>\$ 1,577,834</u>	<u>\$ 13,351,812</u>	<u>\$ 1,581,745</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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 Refunding Bonds, Series 2001	3.3% - 4.3%	07/01/2001	01/01/2011	\$ 3,765,000	\$ -

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 and Capital Improvements Refunding Bond, Series 2008	3 - 3.25%	7/10/2008	8/1/2014	\$ 4,290,000	\$ 3,030,000

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

Limited obligation bond issue of:

Year Ending June 30	Principal	Interest	Total
2012	\$ 720,000	\$ 85,875	\$ 805,875
2013	745,000	62,969	807,969
2014	770,000	38,350	808,350
2015	795,000	12,919	807,919
Total	\$ 3,030,000	\$ 200,113	\$ 3,230,113

This debt will be retired from the MAEP 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.

LOWNDES COUNTY SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (Continued)

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount issued	Amount Outstanding
1. Limited Tax Note, Series 2001	3.9% - 5.5%	09/01/2001	09/01/2011	\$ 3,500,000	\$ 365,000
2. Limited Series 2005	4.15%	12/01/2005	09/01/2021	<u>6,000,000</u>	<u>5,810,000</u>
Total				<u>\$ 9,500,000</u>	<u>\$ 6,175,000</u>

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

1. Three mill notes payable issue of September 1, 2001:

Year Ending June 30	Principal	Interest	Total
2012	<u>\$ 365,000</u>	<u>\$ 7,118</u>	<u>\$ 372,118</u>

2. Three mill notes payable issue of December 1, 2005:

Year Ending June 30	Principal	Interest	Total
2012	\$ 85,000	\$ 239,350	\$ 324,350
2013	535,000	226,485	761,485
2014	560,000	203,764	763,764
2015	590,000	179,902	769,902
2016	610,000	155,003	765,003
2017 - 2022	<u>3,430,000</u>	<u>405,455</u>	<u>3,835,455</u>
Total	<u>\$ 5,810,000</u>	<u>\$ 1,409,959</u>	<u>\$ 7,219,959</u>

This debt will be retired from the Three Mill Debt Series Fund.

Total three mill notes payable for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 450,000	\$ 246,468	\$ 696,468
2013	535,000	226,485	761,485
2014	560,000	203,764	763,764
2015	590,000	179,902	769,902
2016	610,000	155,003	765,003
2017 - 2022	<u>3,430,000</u>	<u>405,455</u>	<u>3,835,455</u>
Total	<u>\$ 6,175,000</u>	<u>\$ 1,417,077</u>	<u>\$ 7,592,077</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (Continued)

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount issued	Amount Outstanding
1. Shortfall Note Series 2009-A	2.60%	09/07/2010	09/07/2012	\$ 1,031,341	\$ 696,346
2. Shortfall Note Series 2009-B	3.73%	07/27/2010	07/27/2012	<u>86,672</u>	<u>58,833</u>
Total				<u>\$ 1,118,013</u>	<u>\$ 755,179</u>

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

1. Shortfall notes payable issue of September 7, 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 343,705	\$ 18,105	\$ 361,810
2013	<u>352,641</u>	<u>9,168</u>	<u>361,809</u>
Total	<u>\$ 696,346</u>	<u>\$ 27,273</u>	<u>\$ 723,619</u>

This debt will be retired from the Shortfall Debt Service Fund.

2. Shortfall notes payable issue of July 27, 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 28,877	\$ 2,194	\$ 31,071
2013	<u>29,956</u>	<u>1,117</u>	<u>31,073</u>
Total	<u>\$ 58,833</u>	<u>\$ 3,311</u>	<u>\$ 62,144</u>

This debt will be retired from the Shortfall Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 372,582	\$ 20,299	\$ 392,881
2013	<u>382,597</u>	<u>10,285</u>	<u>392,882</u>
Total	<u>\$ 755,179</u>	<u>\$ 30,584</u>	<u>\$ 785,763</u>

LOWNDES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2011

NOTE 6 – LONG-TERM LIABILITIES (Continued)

E. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount issued	Amount Outstanding
Qualified School Construction Bonds	.96%	12/17/2009	09/15/2024	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

This debt will be retired from the QSCB Debt Service Fund.

F. Compensated absences payable

As more fully explained in Note 1 G. 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 – PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the Lowndes County School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2011, \$2,880,000 of bonds outstanding are defeased.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 8 – OTHER COMMITMENTS

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$170,563.

Operating leases:

The School District has an operating lease for copying equipment.

Lease expenditures for the year ended June 30, 2011, amounted to \$60,466. Future lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2012	\$ 55,765
2013	31,019
2014	13,666
2015	<u>2,512</u>
	<u>\$ 102,962</u>

NOTE 9 – 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 \$2,872,265, \$2,890,981 and \$2,825,892, respectively, which equaled the required contributions for each year.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 10 – 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 include anticipated renewals or new leases.

Year Ending June 30	Total
2012	\$ 111,616
2013	109,332
2014	105,388
2015	100,446
2016	100,446
2017 - 2021	496,374
2022 - 2026	495,749
2027 - 2031	488,971
2032 - 2036	453,446
Thereafter	<u>556,336</u>
Total	<u>\$ 3,018,104</u>

NOTE 11 – CONTINGENCIES

Federal Grants – The School District has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the School District. Accordingly, no provision for any liability that may result has been recognized in the School District's financial statements.

NOTE 12 – RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 13 – QUALIFIED SCHOOL CONSTRUCTION BONDS

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

The School District makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011, was \$-0-. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits (principal) to be made to the sinking fund and interest to be paid to bond holders by the School District:

Year Ending June 30	Principal	Interest	Total
2012	\$ 215,000	\$ 28,800	\$ 243,800
2013	215,000	28,800	243,800
2014	215,000	28,800	243,800
2015	215,000	28,800	243,800
2016	214,000	28,800	242,800
2017 - 2021	1,070,000	144,000	1,214,000
2022 - 2025	<u>856,000</u>	<u>115,200</u>	<u>971,200</u>
Total	<u>\$ 3,000,000</u>	<u>\$ 403,200</u>	<u>\$ 3,403,200</u>

NOTE 14 – ALTERNATIVE SCHOOL CONSORTIUM

The School District entered into an Alternative School Agreement dated July 1, 2009, creating the Alternative Learning Center. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Columbus School District and the Lowndes County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the Columbus Separate School District, designated by the agreement as the lead district, will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Columbus School District has been designated as the lead School District for the Alternative Learning Center, and the operations of the consortium are included in its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR YEAR ENDED JUNE 30, 2011

NOTE 15 - SUBSEQUENT EVENTS

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Lowndes County School District evaluated the activity of the District through January 10, 2012, the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

LOWNDES COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

LOWNDES COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

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FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 17,360,090	\$ 18,731,144	\$18,775,238	\$ 1,371,054	\$ 44,094
State sources	20,468,438	19,229,105	19,229,105	(1,239,333)	-
Federal sources	666,586	723,269	723,268	56,683	(1)
Total Revenues	<u>38,495,114</u>	<u>38,683,518</u>	<u>38,727,611</u>	<u>188,404</u>	<u>44,093</u>
EXPENDITURES					
Instruction	21,661,362	18,942,659	18,942,659	2,718,703	-
Support services	14,168,764	13,055,563	13,001,063	1,113,201	54,500
Noninstructional services	6,913	-	-	6,913	-
Total Expenditures	<u>35,837,039</u>	<u>31,998,222</u>	<u>31,943,722</u>	<u>3,838,817</u>	<u>54,500</u>
Excess of Revenues Over Expenditures	<u>2,658,075</u>	<u>6,685,296</u>	<u>6,783,889</u>	<u>4,027,221</u>	<u>98,593</u>
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	-	8,855	8,855	8,855	-
Operating transfers in	3,110,306	3,059,848	115,370	(50,458)	(2,944,478)
Operating transfers out	(4,134,029)	(9,045,592)	(6,142,761)	(4,911,563)	2,902,831
Total Other Financing Sources (Uses)	<u>(1,023,723)</u>	<u>(5,976,889)</u>	<u>(6,018,536)</u>	<u>(4,953,166)</u>	<u>(41,647)</u>
Net Change in Fund Balances	1,634,352	708,407	765,353	(925,945)	56,946
Fund Balances:					
July 1, 2010	<u>7,297,866</u>	<u>7,297,866</u>	<u>7,097,800</u>	-	(200,066)
June 30, 2011	<u>\$ 8,932,218</u>	<u>\$ 8,006,273</u>	<u>\$ 7,863,153</u>	<u>\$ (925,945)</u>	<u>\$ (143,120)</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

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BUDGETARY COMPARISON SCHEDULE

MAJOR SPECIAL REVENUE FUND - SIXTEENTH SECTION INTEREST FUND

FOR THE YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Sixteenth Section sources	\$ 149,261	\$ 149,261	\$ 143,220	\$ -	\$ (6,041)
Total Revenues	149,261	149,261	143,220	-	(6,041)
EXPENDITURES					
Sixteenth Section	54,046	54,046	54,046	-	-
Total Expenditures	54,046	54,046	54,046	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,215	95,215	89,174	-	(6,041)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	6,040	-	6,040
Total Other Financing Sources (Uses)	-	-	6,040	-	6,040
Net Change in Fund Balances	95,215	95,215	95,214	-	(1)
Fund Balances:					
July 1, 2010	3,799,903	3,799,903	3,799,903	-	-
June 30, 2011	\$ 3,895,118	\$ 3,895,118	\$ 3,895,117	\$ -	\$ (1)

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

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

LOWNDES COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 340,570
National school lunch program	10.555	1,110,943
Summer food service program for children	10.559	17,155
Total child nutrition cluster		<u>1,468,668</u>
Total passed-through Mississippi Department of Education		<u>1,468,668</u>
Total U.S. Department of Agriculture		<u>1,468,668</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	249,967
Total Federal Communications Commission		<u>249,967</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	57,911
Safe and drug-free schools and communities- state grants	84.186	12,979
Education technology state grants	84.318	13,746
Advanced Placement program	84.330	406,093
Rural education	84.358	76,824
Improving teacher quality state grants	84.367	341,187
School improvement grants	84.377	50,341
ARRA - Education Jobs Fund	84.410	935,844
Subtotal		<u>1,894,925</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,815,401
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	411,787
Total Title I cluster		<u>2,227,188</u>
Special education cluster:		
Special education - grants to states	84.027	986,053
Special education - preschool grants	84.173	36,498
ARRA - Special education grants to states, Recovery Act	84.391	546,414
ARRA - Special education - preschool grants, Recovery Act	84.392	4,136
Total special education cluster		<u>1,573,101</u>
State Fiscal Stabilization Fund cluster:		
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	1,253,240
Total State Fiscal Stabilization Fund cluster		<u>1,253,240</u>
Education for homeless children and youth cluster:		
Education for homeless children and youth	84.196	
ARRA - Education for homeless children and youth, Recovery Act	84.387	36,871
Total Education for homeless children and youth cluster		<u>36,871</u>
Total passed-through Mississippi Department of Education		<u>6,985,325</u>
Total U.S. Department of Education		<u>6,985,325</u>

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Homeland Security</u>		
Disaster Assistance projects	97.088	\$ 18,068
Total Department of Homeland Security		<u>18,068</u>
Total for All Federal Awards		<u>\$ 8,722,028</u>

NOTES TO SCHEDULE

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

**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	\$ 32,212,370	\$25,181,979	\$ 439,539	\$ 2,920,944	\$ 3,669,908
Other	<u>16,313,383</u>	<u>4,416,996</u>	<u>134,273</u>	<u>317,322</u>	<u>11,444,792</u>
Total	<u>\$ 48,525,753</u>	<u>\$29,598,975</u>	<u>\$ 573,812</u>	<u>\$ 3,238,266</u>	<u>\$15,114,700</u>
Total number of students	<u>4,810</u>				
Cost per student	<u>\$ 10,089</u>	<u>\$ 6,154</u>	<u>\$ 119</u>	<u>\$ 673</u>	<u>\$ 3,142</u>

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.
5. Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

LOWNDES COUNTY SCHOOL DISTRICT

OTHER INFORMATION

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)

GENERAL FUND

LAST FOUR YEARS

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 18,775,238	\$ 17,089,407	\$ 15,895,499	\$ 14,675,536
State sources	19,229,105	19,713,957	22,384,547	23,150,217
Federal sources	723,268	720,194	839,154	431,270
Total Revenues	<u>38,727,611</u>	<u>37,523,558</u>	<u>39,119,200</u>	<u>38,257,023</u>
Expenditures:				
Instruction	18,942,659	20,050,000	22,128,561	21,554,464
Support services	13,001,063	12,658,420	13,561,854	12,627,416
Noninstructional services	-	2,253	1,895	2,446
Facilities acquisition and construction	-	-	535,469	-
Total Expenditures	<u>31,943,722</u>	<u>32,710,673</u>	<u>36,227,779</u>	<u>34,184,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,783,889</u>	<u>4,812,885</u>	<u>2,891,421</u>	<u>4,072,697</u>
Other Financing Sources (Uses):				
Proceeds of loans	-	1,031,341	-	-
Insurance loss recoveries	8,855	644,330	40,391	3,829,082
Sale of other property	-	4,522	-	-
Operating transfers in	115,370	74,043	1,192,711	3,437,636
Operating transfers out	(6,142,761)	(10,201,654)	(5,175,859)	(5,043,694)
Total Other Financing Sources (Uses)	<u>(6,018,536)</u>	<u>(8,447,418)</u>	<u>(3,942,757)</u>	<u>2,223,024</u>
Net Change in Fund Balances	765,353	(3,634,533)	(1,051,336)	6,295,721
Fund Balances:				
Beginning of period	<u>7,097,800</u>	<u>10,732,333</u>	<u>11,783,669</u>	<u>5,487,948</u>
End of Period	<u>\$ 7,863,153</u>	<u>\$ 7,097,800</u>	<u>\$ 10,732,333</u>	<u>\$ 11,783,669</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(UNAUDITED)

ALL GOVERNMENTAL FUNDS

LAST FOUR YEARS

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 21,066,503	\$ 18,688,919	\$ 17,529,636	\$ 15,716,033
State sources	20,739,437	21,334,641	23,956,730	24,715,458
Federal sources	9,312,135	7,958,527	5,489,178	5,100,743
Sixteenth Section sources	166,908	403,790	287,763	164,883
Total Revenues	<u>51,284,983</u>	<u>48,385,877</u>	<u>47,263,307</u>	<u>45,697,117</u>
Expenditures:				
Instruction	24,804,668	25,187,334	25,300,694	24,651,187
Support services	16,927,151	18,942,469	15,578,770	14,732,465
Noninstructional services	2,114,489	1,996,180	2,069,576	2,014,662
Sixteenth Section	94,063	110,099	56,483	121,877
Facilities acquisition and construction	2,575,392	169,274	6,420,403	546,875
Debt service:				
Principal	1,577,834	1,085,000	1,075,203	1,115,526
Interest	424,331	412,581	494,110	562,475
Other	7,825	82,690	113,171	3,764
Total Expenditures	<u>48,525,753</u>	<u>47,985,627</u>	<u>51,108,410</u>	<u>43,748,831</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,759,230</u>	<u>400,250</u>	<u>(3,845,103)</u>	<u>1,948,286</u>
Other Financing Sources (Uses):				
Proceeds of refunding bonds	-	-	4,290,000	-
Proceeds of loans	-	4,118,013	-	-
Premium paid on debt issuance	-	-	40,313	-
Insurance loss recoveries	8,855	644,330	40,391	3,829,082
Sale of other property	-	4,522	-	-
Operating transfers in	6,887,216	10,575,303	6,368,570	5,672,948
Operating transfers out	(6,887,216)	(10,575,303)	(6,368,570)	(5,672,948)
Payment to refunded bond escrow agent	-	-	(4,224,685)	-
Other financing uses	(7,741)	(254)	-	-
Total Other Financing Sources (Uses)	<u>1,114</u>	<u>4,766,611</u>	<u>146,019</u>	<u>3,829,082</u>
Net Change in Fund Balances	<u>2,760,344</u>	<u>5,166,861</u>	<u>(3,699,084)</u>	<u>5,777,368</u>
Fund Balances:				
July 1	21,812,696	16,616,981	20,315,237	14,536,240
Prior period adjustments	-	22,267	-	-
July 1, as restated	<u>21,812,696</u>	<u>16,639,248</u>	<u>20,315,237</u>	<u>14,536,240</u>
Increase (decrease) in reserve for inventory	9,018	6,587	6,760	1,629
Residual equity transfer in (out)	-	-	(5,932)	-
End of Period	<u>\$ 24,582,058</u>	<u>\$ 21,812,696</u>	<u>\$ 16,616,981</u>	<u>\$ 20,315,237</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

LOWNDES COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**INDEPENDENT AUDITORS' 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**

To the Superintendent and School Board
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Gatt & Company

Columbus, Mississippi
January 10, 2012

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INDEPENDENT AUDITORS' 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

To the Superintendent and School Board
Lowndes County School District

Compliance

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

In our opinion, Lowndes 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.

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Internal Control over Compliance

Management of Lowndes 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 Lowndes 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 Lowndes 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, Lowndes County School District, others within the entity, 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.

J. E. Goff & Company

Columbus, Mississippi
January 10, 2012

LOWNDES COUNTY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2011, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated January 10, 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.

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 \$8,571 of classroom supply funds carried over from previous years.

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.

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.



Columbus, Mississippi
January 10, 2012

LOWNDES COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LOWNDES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditors' 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 |

LOWNDES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Section I: Summary of Auditors' Results (Continued)

7. Identification of major programs:
 - a. Title I grants to local educational agencies cluster
 - CFDA #: 84.010
 - CFDA #: 84.389
 - b. Special education cluster
 - CFDA #: 84.027
 - CFDA #: 84.173
 - CFDA #: 84.391
 - CFDA #: 84.392
 - c. State fiscal stabilization fund - education state grants, recovery act
 - CFDA #: 84.394
 - d. Improving teacher quality
 - CFDA #: 84.367
 - e. Education Jobs Fund
 - CFDA #: 84.410

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000

9. Auditee qualified as low-risk auditee? No

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior auditing findings as discussed in Section __.315(b) of OMB Circular A-133? Yes

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.

LOWNDES COUNTY SCHOOL DISTRICT

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



Edna McGill, Ed.S.
Assistant Superintendent

Dr. Peggy J. Rogers
Assistant Superintendent

Lowndes County School District

Percy Lee
Vocational and Tech Prep Director

1053 Hwy 45 South – Columbus, MS 39701
(662) 244-5000 – Fax (662) 244-5043

Andra Brown
Special Education Director

Frances Goldman
Business Officer/Administrator

LYNN WRIGHT
Superintendent

Betty Clinton
Child Nutrition Director

“Challenge all students to attain their greatest potential.”

January 10, 2012

We hereby report the following:

Finding	Status
FY2010 -1	Administrative reports are furnished to federal program administrators at the close of each month immediately. Cash requests for grant reimbursements are requested for actual expenditures only for the previous month and do not include any encumbered amounts. Also, the business office submits year -end reports for the federal program administrators timely in order for the administrators to ensure that accrued expenditures are requested correctly. All requests are requested on reimbursement basis only.

Sincerely,

Lynn Wright

Superintendent

