



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**LOWNDES COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2005**

LOWNDES COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT .....	1
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information .....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS .....	12
Statement of Net Assets .....	13
Statement of Activities .....	14
Balance Sheet - Governmental Funds .....	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	18
Statement of Fiduciary Net Assets .....	19
Statement of Changes in Fiduciary Net Assets .....	20
Notes to Financial Statements .....	21
REQUIRED SUPPLEMENTARY INFORMATION .....	38
Budgetary Comparison Schedule.....	39
Notes to the Required Supplementary Information .....	41
SUPPLEMENTAL INFORMATION .....	42
Schedule of Expenditures of Federal Awards .....	43
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds .....	45
REPORTS ON COMPLIANCE AND INTERNAL CONTROL .....	46
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 <b>GOVERNMENT</b> <b>AUDITING STANDARDS</b> .....	47
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with <b>OMB CIRCULAR A-133</b> .....	49
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	54
AUDITEE'S CORRECTIVE ACTION PLAN .....	59
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS .....	61

**LOWNDES COUNTY SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

# T. E. Lott & Company

A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS

2



ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

REGISTERED WITH PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD

AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MEMBER OF CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

MEMBER OF CENTER FOR EMPLOYEE  
BENEFIT PLAN AUDIT QUALITY

PRIVATE COMPANIES PRACTICE  
SECTION

## INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Lowndes County School District

T. E. LOTT, CPA (1926-1971)  
T. E. LOTT, JR., CPA  
OLIVER L. PHILLIPS, JR., CPA  
CHARLES M. HAWKINS, CPA, CBA  
JOHN F. PRINCE, CPA  
NELLAH F. TAYLOR, CPA  
JEFFRY H. READ, CPA  
THOMAS J. BUCKLEY, CPA  
VIVIAN L. YEATMAN, CPA  
BOBBY G. SHAW, CPA  
CAROL A. WADDLE, CPA, CBA  
GREGORY L. PHILLIPS, CPA  
DEBBY H. GRAY, CPA, CPC  
CLAYTON H. RICHARDSON, III, CPA, CVA  
J. MICHAEL PRINCE, CPA  
MARK A. VICKERS, CPA  
DAVIS C. KELLY, CPA, CSEP  
J. H. KENNEDY, JR., CPA  
SAMUEL A. BRAY, CPA  
FRANK F. GRAY, CPA  
GILBERT O. SPENCER, III, CPA  
STEWART R. GREENE, CPA  
LESLIE W. WOOD, CPA  
LAWRENCE E. WILSON, CPA  
SANDRA D. REYNOLDS, CPA  
LOUISE L. CHAPPELL, CPA  
DAVID C. NEUMANN, CPA, CBA  
MICHAEL S. HANSON, CPA

**COLUMBUS OFFICE:**  
221 NORTH SEVENTH STREET  
P.O. BOX 471  
COLUMBUS, MISSISSIPPI 39703-0471  
TELEPHONE (662) 328-5387  
FAX (662) 329-4993

**STARKVILLE OFFICE:**  
106 B SOUTH WASHINGTON STREET  
P.O. BOX 80282  
STARKVILLE, MISSISSIPPI 39759-0282  
TELEPHONE (662) 323-1234  
FAX (662) 323-1284

**TUSCALOOSA OFFICE:**  
2422 12TH STREET  
TUSCALOOSA, ALABAMA 35401  
TELEPHONE (205) 759-4195  
FAX (205) 759-1018

**WEB:** [www.telott.com](http://www.telott.com)  
**E-MAIL:** [info@telott.com](mailto:info@telott.com)

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, 2005, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lowndes County School District, as of June 30, 2005, 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 November 18, 2005, on our consideration of the Lowndes County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on Pages 5 through 11 and the Budgetary Comparison Schedule and corresponding notes on Pages 39 and 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*J. E. Sott & Company*

Columbus, Mississippi  
November 18, 2005

**LOWNDES COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS****FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Lowndes County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34—*Basic Financial Statements – and Management's Discussion and Analysis* – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$3,176,250.
- General revenues account for \$30,636,693 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$7,142,889 or 19% of total revenues.
- The District had \$34,603,332 in expenses; only \$7,142,889 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$30,636,693 were adequate to provide for these programs.
- Among major funds, the General Fund had \$30,675,525 in revenues, \$26,877,871 in expenditures and \$3,726,978 in net other financing uses. The General Fund's fund balance increased \$70,676 compared to the prior year. Increase in tax collections over levy, additional industry in-lieu of tax payment and state revenue increase were off-set by permanent transfer of \$1,952,000 to the local construction fund.
- Capital Assets, net of accumulated depreciation, increased by \$168,384.
- Long-term debt decreased by \$1,798,671.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information showing all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

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

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds statements provide a detailed short-term view of the School District's operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2005

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 16 and 18, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The School District's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets on page 19.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 37 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. Budgetary comparison statements have been provided for the General Fund and Local Building Fund. This required supplementary information can be found on pages 39 - 41 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 43 - 44 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of a governmental entity's financial position. In the case of the District, assets exceeded liabilities by \$32,126,960 as of June 30, 2005.

By far the largest portion of the District's net assets (62%) is represented by its investment in capital assets (e.g., land, buildings, building improvements), improvements other than buildings, mobile equipment, furniture and equipment, construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal years ending June 30, 2004, and June 30, 2005.

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Percentage Change</u>
Current Assets	\$ 12,956,539	\$ 14,554,691	12.3%
Capital Assets, net	<u>31,393,351</u>	<u>31,224,967</u>	(.5%)
<b>Total Assets</b>	<b>\$ 44,349,890</b>	<b>45,779,658</b>	<b>3.2%</b>
Current Liabilities	\$ 3,953,265	\$ 4,051,568	2.5%
Long-term Debt Outstanding	<u>11,445,915</u>	<u>9,601,130</u>	(16.1%)
<b>Total Liabilities</b>	<b>\$ 15,399,180</b>	<b>\$ 13,652,698</b>	<b>(11.3%)</b>
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt	\$ 21,275,912	\$ 20,070,751	(5.7%)
Restricted	3,665,246	8,003,868	118.4%
Unrestricted	<u>4,009,552</u>	<u>4,052,341</u>	1.1%
<b>Total Net Assets</b>	<b>\$ 28,950,710</b>	<b>\$ 32,126,960</b>	<b>10.9%</b>

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

- The principal retirement of \$1,798,671 of long-term debt.
- Cash increase due to industrial plant added with an in-lieu of tax after the budget process.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2005

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2004 and 2005, were \$36,826,043 and \$37,779,582, respectively. The total costs of all programs and services were \$32,929,356 and \$34,603,332, respectively. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2004 and 2005.

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program Revenues	\$ 6,766,160	\$ 7,142,889	5.6%
General Revenues	<u>30,059,883</u>	<u>30,636,693</u>	1.9%
<b>Total Revenues</b>	<b>\$ 36,826,043</b>	<b>\$ 37,779,582</b>	<b>2.6%</b>
<b>Expenses:</b>			
Instruction	\$ 20,178,634	\$ 21,428,669	6.2%
Support Services	10,194,303	10,710,521	5.1%
Non-instructional	1,888,430	1,957,977	3.7%
Sixteenth Section	77,942	43,542	(44.1%)
Interest on Long-term Liabilities	<u>590,047</u>	<u>462,623</u>	(21.6%)
<b>Total Expenses</b>	<b>\$ 32,929,356</b>	<b>\$ 34,603,332</b>	<b>5.1%</b>
<b>Increase in net assets</b>	<b>\$ 3,896,687</b>	<b>\$ 3,176,250</b>	<b>(18.5%)</b>

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net cost of Services</u>		<u>Percentage Change</u>
	<u>2004</u>	<u>2005</u>		<u>2004</u>	<u>2005</u>	
Instruction	\$ 20,178,634	\$ 21,428,669	6.2%	\$ (15,830,657)	\$ (17,312,014)	9.4%
Support Services	10,194,303	10,710,521	5.1%	(9,633,338)	(9,399,006)	(2.4%)
Non-Instructional	1,888,430	1,957,977	3.7%	(54,358)	(244,773)	350.3%
Sixteenth Section	77,942	43,542	(44.1%)	(54,796)	(42,027)	(23.3%)
Interest on long-term liabilities	<u>590,047</u>	<u>462,623</u>	(21.6%)	<u>(590,047)</u>	<u>(462,623)</u>	(21.6%)
<b>Total Expenses</b>	<b>\$ 32,929,356</b>	<b>\$ 34,603,332</b>	<b>5.1%</b>	<b>\$ (26,163,196)</b>	<b>\$ (27,460,443)</b>	<b>5.0%</b>

- Net cost of governmental activities of \$26,163,196 and \$27,460,443, was financed by general revenue, which is made up of primarily property taxes of \$8,581,112 and \$9,062,334 and state revenue of \$19,557,610 and \$19,336,977 for June 30, 2004 and 2005, respectively.
- Investment earnings accounted for \$204,225 and \$232,028 of the funding for June 30, 2004 and 2005, respectively.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$12,552,409, an increase of \$1,516,739 due primarily to industry in-lieu of added this year, increase in tax levy and increase in state MAEP funds. \$12,073,022 or 96.2% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$479,387 or 3.8% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$70,676. The increase in fund balance in the Local Construction Fund and 16th Section Interest Fund for the fiscal year was \$1,187,068 (resulting from a permanent transfer from the General Fund) and \$309,562, respectively. The fund balance for Other Governmental Funds showed a decrease of \$50,567 due to capital projects.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget.

- **GENERAL FUND:** Budget amounts for revenue from state sources were increased for Mississippi Adequate Education. The original budgeted amounts were underestimated for potential cuts by the Mississippi legislature. Budget amounts for revenue from local sources increased due to tax collections exceeding the levy amount.
- **16th SECTION INTEREST FUND:** Budget amounts for revenue from Sixteenth Section sources increased for mineral lease collections.

The schedules showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and 16th Section Interest Fund are provided in this report as required supplementary information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.**

As of June 30, 2005, the District's total capital assets were \$55,661,807, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$980,754 from the previous year. Total accumulated depreciation as of June 30, 2005, was \$24,436,840 and total depreciation expense for the year was \$1,155,910, resulting in total net assets of \$31,224,967.

Additional information concerning the District's capital assets can be found in Note 4 on pages 29 - 30 of this report.

**Debt Administration.** At June 30, 2005, the District had \$11,483,557 in general obligation bonds and other long-term debt outstanding, of which \$1,882,427 is due within one year.

The District has no bond rating.

Additional information related to the District's long-term debt can be found in Note 5 on pages 31 - 33 of this report.

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The millage has decreased 2.18 over ten years. In addition, the District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The latest enrollment figures indicate that student enrollment in the District will increase by 57 students. The budget for the next fiscal year has taken into account this change in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Lowndes County School District, 1053 Highway 45 South, Columbus, Mississippi 39701. The phone number is (662) 244-5000. Michael L. Halford is the current superintendent.

**LOWNDES COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

LOWNDES COUNTY SCHOOL DISTRICT

13

STATEMENT OF NET ASSETS

Exhibit A

JUNE 30, 2005

	Primary <u>Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents (Notes 1-F and 2-A)	\$ 12,446,098
Due from other governments	1,116,447
Other receivables, net	28,792
Inventories and prepaid items (Note 1-H)	56,947
Restricted assets (Notes 1-F, 1-G and 2-B)	906,407
Capital assets, net (Notes 1-I and 4)	<u>31,224,967</u>
Total Assets	<u>\$ 45,779,658</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 2,001,661
Deferred revenue	621
Interest payable on long-term liabilities	166,859
Long-term liabilities, due within one year (Note 5):	
Capital related liabilities	1,882,427
Long-term liabilities, due beyond one year (Note 5):	
Capital related liabilities	9,271,790
Non-capital related liabilities	<u>329,340</u>
Total Liabilities	<u>\$ 13,652,698</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	\$ 20,070,751
Restricted net assets:	
Expendable:	
School-based activities	2,326,706
Debt service	1,079,650
Capital improvement	4,044,247
Forestry improvements	27,855
Unemployment benefits	102,970
Non-expendable:	
Sixteenth Section	422,440
Unrestricted	<u>4,052,341</u>
Total Net Assets	<u>\$ 32,126,960</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

14

STATEMENT OF ACTIVITIES

Exhibit B

FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
					<u>Primary Governmental Activities</u>
Primary Government: Governmental Activities:					
Instruction	\$ 21,428,669	\$ 1,005,785	\$ 3,110,870	\$ -	\$ (17,312,014)
Support services	10,710,521	-	1,311,515	-	(9,399,006)
Non-instructional	1,957,977	498,840	1,214,364	-	(244,773)
Sixteenth Section	43,542	1,515	-	-	(42,027)
Interest on long-term liabilities	<u>462,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(462,623)</u>
Total governmental activities	<u>\$ 34,603,332</u>	<u>\$ (1,506,140)</u>	<u>\$ 5,636,749</u>	<u>\$ -</u>	<u>\$ (27,460,443)</u>
		General Revenues:			
		Taxes:			
					\$ 8,652,958
					409,376
					1,004,972
		Unrestricted grants and contributions:			
					19,336,977
					370,577
					232,028
					237,972
					<u>391,833</u>
					<u>30,636,693</u>
					3,176,250
					<u>28,950,710</u>
					<u>\$ 32,126,960</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

Exhibit C

JUNE 30, 2005

<i>ASSETS</i>	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Local Construction Fund	16th Section Interest Fund		
Cash and cash equivalents (Notes 1-F and 2-A)	\$ 5,413,911	\$ 3,987,068	\$ 1,473,300	\$ 1,994,259	\$ 12,868,538
Investments (Notes 1-G and 2-B)		-	-	-	483,967
Due from other governments	437,669	-	-	678,778	1,116,447
Due from other funds (Note 3)	162,679	-	-	-	162,679
Other receivables, net	-	-	24,350	4,442	28,792
Inventories and prepaid items (Note 1-H)	-	-	-	56,947	56,947
<b>Total Assets</b>	<b>\$ 6,014,259</b>	<b>\$ 3,987,068</b>	<b>\$ 1,497,650</b>	<b>\$ 3,218,393</b>	<b>\$ 14,717,370</b>
<b><i>LIABILITIES AND FUND BALANCES</i></b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,642,333	\$ -	\$ 3,500	\$ 355,828	\$ 2,001,661
Due to other funds (Note 3)	-	-	-	162,679	162,679
Deferred revenue	-	-	-	621	621
<b>Total Liabilities</b>	<b>1,642,333</b>	<b>-</b>	<b>3,500</b>	<b>519,128</b>	<b>2,164,961</b>
Fund Balances:					
Reserved for:					
Inventory	-	-	-	56,947	56,947
Investments	-	-	-	422,440	422,440
Unreserved:					
Undesignated, reported in:					
General fund	4,371,926	-	-	-	4,371,926
Special Revenue funds	-	-	1,494,150	906,434	2,400,584
Capital Projects funds	-	3,987,068	-	57,179	4,044,247
Debt Service funds	-	-	-	1,246,509	1,246,509
Permanent funds	-	-	-	9,756	9,756
<b>Total Fund Balances</b>	<b>4,371,926</b>	<b>3,987,068</b>	<b>1,494,150</b>	<b>2,699,265</b>	<b>12,552,409</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,014,259</b>	<b>\$ 3,987,068</b>	<b>\$ 1,497,650</b>	<b>\$ 3,218,393</b>	<b>\$ 14,717,370</b>

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**

Exhibit C-1

**JUNE 30, 2005**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,552,409
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets that are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$24,436,840 (Note 4)	31,224,967
2. Interest on long-term debt is recognized under modified accrual basis of accounting when due, rather than as it accrues.	(166,859)
3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (Note 5)	<u>(11,483,557)</u>
Total Net Assets - Governmental Activities	<u>\$ 32,126,960</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**

Exhibit D

**FOR THE YEAR ENDED JUNE 30, 2005**

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Local Construction Fund	16th Section Interest Fund		
<b>REVENUES</b>					
Local sources	\$ 10,967,971	\$ -	\$ 27,941	\$ 1,325,938	\$ 12,321,850
State sources	19,336,977	-	-	1,380,791	20,717,768
Federal sources	370,577	-	-	4,149,151	4,519,728
Sixteenth Section sources	-	-	214,698	24,789	239,487
Total Revenues	<u>30,675,525</u>	<u>-</u>	<u>242,639</u>	<u>6,880,669</u>	<u>37,798,833</u>
<b>EXPENDITURES</b>					
Instruction	17,514,743	-	-	3,115,654	20,630,397
Support services	9,357,019	49,000	-	1,274,540	10,680,559
Noninstructional services	5,109	-	-	1,874,449	1,879,558
Sixteenth Section	-	-	40,938	2,604	43,542
Facilities acquisition and construction	-	546,389	-	157,879	704,268
Debt service:					
Principal	-	-	-	1,798,670	1,798,670
Interest	-	-	-	526,140	526,140
Other	1,000	-	-	2,351	3,351
Total Expenditures	<u>26,877,871</u>	<u>595,389</u>	<u>40,938</u>	<u>8,752,287</u>	<u>36,266,485</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,797,654</u>	<u>(595,389)</u>	<u>201,701</u>	<u>(1,871,618)</u>	<u>1,532,348</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of other property	10,050	-	-	-	10,050
Operating transfers in	2,917,396	1,952,000	107,861	2,412,646	7,389,903
Other financing sources	924	-	-	-	924
Operating transfers out	(6,636,227)	(169,543)	-	(584,133)	(7,389,903)
Other financing sources	(19,121)	-	-	(1,054)	(20,175)
Total Other Financing Sources (Uses)	<u>(3,726,978)</u>	<u>1,782,457</u>	<u>107,861</u>	<u>1,827,459</u>	<u>(9,201)</u>
Net Change in Fund Balances	70,676	1,187,068	309,562	(44,159)	1,523,147
<b>FUND BALANCES:</b>					
July 1, 2004	4,301,250	2,800,000	1,184,588	2,749,832	11,035,670
Decrease in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,408)</u>	<u>(6,408)</u>
June 30, 2005	<u>\$ 4,371,926</u>	<u>\$ 3,987,068</u>	<u>\$ 1,494,150</u>	<u>\$ 2,699,265</u>	<u>\$ 12,552,409</u>

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS      Exhibit D-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 1,523,147
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 \$997,644 and the depreciation expense amounted to \$1,155,910 (Note 4)	(158,266)
2. Decrease in Reserve for inventory.	(6,408)
3. In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by proceeds and losses on sales of capital assets.	(10,118)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	1,798,670
5. Compensated absences.	(37,643)
6. Accrued interest on bonds.	66,868
Change in Net Assets of Governmental Activities	\$ 3,176,250

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2005**

	Private-Purpose Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 1-F and 2-A)	\$ 11,531	\$ 22,577
Due from local sources	<u>749</u>	<u>-</u>
Total Assets	<u>\$ 12,280</u>	<u>\$ 22,577</u>
<b>LIABILITIES</b>		
Due to student clubs	<u>\$ -</u>	<u>\$ 22,577</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 22,577</u>
<b>NET ASSETS</b>		
Reserved for endowments	<u>\$ 12,280</u>	
Total Net Assets	<u>\$ 12,280</u>	

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

LOWNDES COUNTY SCHOOL DISTRICT

20

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Exhibit F

FOR THE YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust Funds
<b><i>ADDITIONS</i></b>	
Contributions from private sources	\$ 1,599
Interest on investments	<u>254</u>
Total Additions	<u>1,853</u>
<b><i>DEDUCTIONS</i></b>	
Scholarships awarded	<u>1,500</u>
Total Deductions	<u>1,500</u>
Change in Net Assets	353
<b><i>NET ASSETS</i></b>	
July 1, 2004	<u>11,927</u>
June 30, 2005	<u>\$ 12,280</u>

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES**

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

**A. Financial Reporting Entity**

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Lowndes County School District's governing board. As defined by the 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 which each member was elected by the citizens of each defined county district.

**B. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

( Continued )

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)

**B. Basis of Presentation** (Continued)

*Fund Financial Statements:*

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

**C. Measurement Focus and Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlays) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The School District reports the following major governmental funds:

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

Local Construction Fund - This fund accounts for major construction in the District funded by local resources.

16th Section Interest Fund - This fund accounts for rents, leases and sales of timber.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

( Continued )

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)

**C. Measurement Focus and Basis of Accounting** (Continued)

Additionally, the School District reports the following fund types:

**GOVERNMENTAL FUNDS**

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

**FIDUCIARY FUNDS**

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

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

**D. Account Classifications**

The account classifications used in the financial statements conform to the classifications prescribed in the "*Financial Accounting Manual for Mississippi Public School Districts*" issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in "*Financial Accounting for Local and State School Systems, 1990*" issued by the U. S. Department of Education.

( Continued )

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

*NOTE 1 - SUMMARY OF ACCOUNTING POLICIES* (Continued)

**E. Encumbrances**

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

**F. Cash and Cash Equivalents**

The School District deposits excess funds in financial institutions selected by the School Board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

**G. 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 hereby authorized to be so invested.

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

**H. 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 method).

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.

( Continued )

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)**I. Capital Assets**

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line method for all assets, except land. The following schedule details those thresholds.

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

**J. Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

( Continued )

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)

**K. Interfund Transactions and Balances**

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loans receivable are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that through which statute or budget requires collection to the fund that through which statute or budget requires expensing and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

**L. Equity Classifications**

*Government-wide Financial Statements:*

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

( Continued )

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)

**L. Equity Classifications** (Continued)

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the District:

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for investments - An account that represents a portion of the fund balance which indicates that Sixteenth Section Principal funds do not represent available spending resources.

**M. Property Taxes**

Ad valorem property taxes are levied by the governing authorities 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.

**N. Mississippi Adequate Education Program Revenues**

Revenues from the 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.

**O. Compensated Absences**

Employees of the School District accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by School District policy. Some employees are allowed personal leave and/or vacation leave in accordance with School District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 2 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS**

**A. Cash and Cash Equivalents**

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$12,868,538 and \$34,108, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$12,446,098. The bank balance was \$13,813,035.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2005, none of the District's bank balance of \$13,813,035 was exposed to custodial credit risk.

**B. Investments**

As of June 30, 2005, the District had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank treasury money market	Less than 1	\$ 483,967	AAA
Total Investments		\$ 483,967	

*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.

( Continued )

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 2 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued)****B. Investments (Continued)**

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

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

**NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES****A. Due From / To Other Funds:**

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 162,679	\$ -
Other Governmental Funds	<u>-</u>	<u>162,679</u>
Total	<u>\$ 162,679</u>	<u>\$ 162,679</u>

All due from's and due to's were to adjust deficit cash balances.

**B. Transfers In / Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 2,917,396	\$ 6,636,227
Local Construction Fund	1,952,000	1,695,543
Sixteenth Section Interest Fund	107,861	-
Other Governmental Funds	<u>2,412,646</u>	<u>584,133</u>
Total Funds	<u>\$ 7,389,903</u>	<u>\$ 7,389,903</u>

Transfers in and out were for year-end closing entries, indirect cost, correction of posting errors, payment obligations in debt service fund, and paying construction obligations under capital project fund.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 4 - CAPITAL ASSETS**

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

	Balance 7-1-04	Additions	Retire- ments	Completed Construc- tion	Adjust- ments	Balance 6-30-05
<b>Non-depreciable capital assets</b>						
Land	\$ 991,040	\$ -	\$ (10,050)	\$ -	\$ -	\$ 980,990
Construction in progress	<u>292,721</u>	<u>229,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522,239</u>
Total non-depreciable capital assets	<u>1,283,761</u>	<u>229,518</u>	<u>(10,050)</u>	<u>-</u>	<u>-</u>	<u>1,503,229</u>
<b>Depreciable capital assets:</b>						
Buildings	47,182,196	433,701	-	-	-	47,615,897
Improvements other than buildings	1,852,747	-	-	-	-	1,852,747
Mobile equipment	3,366,753	282,837	-	-	-	3,649,590
Furniture and equipment	<u>995,596</u>	<u>51,588</u>	<u>(6,840)</u>	<u>-</u>	<u>-</u>	<u>1,040,344</u>
Total depreciable capital assets	<u>53,397,292</u>	<u>768,126</u>	<u>(6,840)</u>	<u>-</u>	<u>-</u>	<u>54,158,578</u>
<b>Less accumulated depreciation for:</b>						
Buildings	20,711,756	729,103	-	-	-	21,440,859
Improvements other than buildings	196,361	68,728	-	-	-	265,089
Mobile equipment	1,698,925	258,711	-	-	56,424	2,014,060
Furniture and equipment	<u>680,660</u>	<u>99,368</u>	<u>(6,772)</u>	<u>-</u>	<u>(56,424)</u>	<u>716,832</u>
Total accumulated depreciation	<u>23,287,702</u>	<u>1,155,910</u>	<u>(6,772)</u>	<u>-</u>	<u>-</u>	<u>24,436,840</u>
Total depreciable capital assets, net	<u>30,109,590</u>	<u>(387,784)</u>	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>29,721,738</u>
Governmental activities capital assets, net	<u>\$ 31,393,351</u>	<u>\$ (158,266)</u>	<u>\$ (10,118)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,224,967</u>

( Continued )

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 4 - CAPITAL ASSETS** (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 811,032
Support services	271,605
Non-instructional	<u>73,273</u>
Total depreciation expense	<u>\$ 1,155,910</u>

The capital assets above include significant amounts of land, buildings, improvements other than buildings, mobile equipment, and other furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

## Adjustments:

Some heavy mobile equipment was transferred from furniture and equipment.

No open contracts for construction existed at June 30, 2005.

**NOTE 5 - LONG-TERM LIABILITIES**

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

	<u>Balance</u> 7-01-04	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> 6-30-05	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
A. General obligation bonds payable	\$ 2,355,000	\$ -	\$ 610,000	\$ -	\$ 1,745,000	\$ 635,000
B. Limited obligation bonds payable	6,790,000	-	480,000	-	6,310,000	505,000
C. Three mill notes payable	2,720,000	-	305,000	-	2,415,000	315,000
D. Transportation equipment notes payable	680,000	-	330,000	-	350,000	350,000
E. Obligations under energy efficiency lease	407,887	-	73,671	-	334,216	77,427
F. Compensated absences payable	<u>291,697</u>	<u>37,644</u>	<u>-</u>	<u>-</u>	<u>329,341</u>	<u>-</u>
Total	<u>\$ 13,244,584</u>	<u>\$ 37,644</u>	<u>\$ 1,798,671</u>	<u>\$ -</u>	<u>\$ 11,483,557</u>	<u>\$ 1,882,427</u>

( Continued )

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 5 - LONG-TERM LIABILITIES****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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, COP Refunding - Series 2001	3.3% - 4.3%	7/1/01	1/1/11	<u>\$ 3,965,000</u>	<u>\$ 1,745,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 635,000	\$ 72,183	\$ 707,183
2007	655,000	46,465	701,465
2008	100,000	19,283	119,283
2009	120,000	15,082	135,082
2010	125,000	10,043	135,043
2011	<u>110,000</u>	<u>4,730</u>	<u>114,730</u>
Total	<u>\$ 1,745,000</u>	<u>\$ 167,786</u>	<u>1,912,786</u>

The amount of bond indebtedness that can be incurred by the School District is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such District, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2004. This debt will be retired from the debt service funds.

**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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds Series 1998	4.2% - 6.0%	5/1/98	8/1/14	<u>\$8,530,000</u>	<u>\$6,310,000</u>

( Continued )

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)**B. Limited Obligation Bonds Payable** (Continued)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 505,000	\$ 273,398	\$ 778,398
2007	530,000	251,145	781,145
2008	560,000	227,430	787,430
2009	585,000	202,240	787,240
2010	610,000	175,645	785,645
2011 - 2015	<u>3,520,000</u>	<u>419,750</u>	<u>3,939,750</u>
Total	<u>\$ 6,310,000</u>	<u>\$ 1,549,608</u>	<u>\$ 7,859,608</u>

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. This debt will be retired from the debt service fund.

**C. Three Mill - Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes payable	3.9% - 5.5%	9/1/01	9/1/11	<u>\$ 3,500,000</u>	<u>\$ 2,415,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 315,000	\$ 88,043	\$ 403,043
2007	330,000	75,465	405,465
2008	345,000	62,303	407,303
2009	350,000	48,750	398,750
2010	350,000	35,100	385,100
2011 - 2012	<u>725,000</u>	<u>28,373</u>	<u>753,373</u>
Total	<u>\$ 2,415,000</u>	<u>\$ 338,034</u>	<u>\$ 2,753,034</u>

This debt will be retired from the debt service fund.

( Continued )

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)**D. Transportation Equipment Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Transportation equipment notes payable	4.8%	12/1/99	12/1/05	<u>\$ 1,648,000</u>	<u>\$ 350,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	<u>\$ 350,000</u>	<u>\$ 8,400</u>	<u>\$ 358,400</u>

This debt will be retired from debt service funds.

**E. Obligations Under Energy Efficiency Lease**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 77,427	\$ 17,045	\$ 94,472
2007	81,376	13,096	94,472
2008	85,526	8,946	94,472
2009	<u>89,887</u>	<u>4,585</u>	<u>94,472</u>
Total	<u>\$ 334,216</u>	<u>\$ 43,672</u>	<u>\$ 377,888</u>

An energy efficiency lease agreement dated August 26, 1998, was executed by and between the School District, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$725,960 for the purchase of energy efficiency equipment, machinery, supplies, building modifications, and other energy saving items. Payments of the lessee shall be made from the debt service fund and are not to exceed ten (10) years.

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

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

This debt will be retired from the debt service funds.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)**F. Compensated Absences Payable**

As more fully explained in Note 1(O), 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 are paid.

**NOTE 6 - 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, Mississippi 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

*Funding Policy.* PERS members are required to contribute 7.25% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 9.75% 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 ended June 30, 2005, 2004, 2003, were \$1,945,582, \$1,820,314, \$1,694,797, respectively, which equaled the required contributions for each year.

**NOTE 7 - OTHER COMMITMENTS***Operating Leases:*

The School District has several operating leases for copying equipment. Lease expenditures for the year ended June 30, 2005, amounted to \$56,698. Future lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 51,797
2007	37,201
2008	24,539
2009	<u>10,502</u>
Total	<u>\$ 124,039</u>

( Continued )

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

**NOTE 7 - OTHER COMMITMENTS** (Continued)

The School District has a service agreement for an energy efficiency lease. Service expenditures for the year ended June 30, 2005, amounted to \$44,648. Future service payments for the service agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 45,992
2007	47,380
2008	<u>48,800</u>
Total	<u>\$ 142,172</u>

**NOTE 8 - SIXTEENTH SECTION LANDS**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 88,883
2007	87,940
2008	85,483
2009	82,363
2010	80,157
2011 - 2015	392,114
2016 - 2020	389,380
2021 - 2025	388,900
2026 - 2030	385,393
2031 - 2035	354,058
2036 - 2040	207,524
2041 - 2045	51,796
2046 - 2050	8,778
2051 - 2055	8,266
2056 - 2060	8,046
2061 - 2065	7,465
2066 - 2070	6,676
2071 - 2075	<u>805</u>
Total	<u>\$ 2,634,027</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

***NOTE 9 - RISK MANAGEMENT***

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

***NOTE 10- PRIOR YEAR DEFEASANCE OF DEBT***

In prior years, the Lowndes County School District defeased certain general 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 liability for the defeased bonds are not included in the District's financial statements. On June 30, 2005, \$820,000 of bonds outstanding were defeased.

***NOTE 11 - SUBSEQUENT EVENTS***

The School District sold a \$6,000,000 Series 2005 Limited Tax Note on November 15, 2005, and signed a \$4,444,200 construction and renovation contract.

**LOWNDES COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

## LOWNDES COUNTY SCHOOL DISTRICT

39

## BUDGETARY COMPARISON SCHEDULE

Schedule 1

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original To Final</u>	<u>Final To Actual</u>
	<b>REVENUES</b>				
Local sources	\$ 10,710,058	\$ 10,968,720	\$ 10,967,971	\$ 258,662	\$ (749)
State sources	19,242,249	19,336,977	19,336,977	94,728	-
Federal sources	334,780	370,577	370,577	35,797	-
Total Revenues	<u>30,287,087</u>	<u>30,676,274</u>	<u>30,675,525</u>	<u>389,187</u>	<u>(749)</u>
<b>EXPENDITURES</b>					
Instruction	17,596,459	17,467,674	17,514,743	128,785	(47,069)
Support services	9,499,385	9,326,378	9,357,019	173,007	(30,641)
Non instructional services	5,259	5,109	5,109	150	-
Other	-	-	1,000	-	(1,000)
Total Expenditures	<u>27,101,103</u>	<u>26,799,161</u>	<u>26,877,871</u>	<u>301,942</u>	<u>(78,710)</u>
Excess of Revenues Over Expenditures	<u>3,185,984</u>	<u>3,877,113</u>	<u>3,797,654</u>	<u>87,245</u>	<u>77,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of other property	-	10,050	10,050	10,050	-
Operating transfers in	2,779,735	2,857,397	2,917,396	77,662	59,999
Operating transfers out	(4,556,208)	(6,636,976)	(6,636,227)	(2,080,768)	(749)
Other financing sources	-	-	924	-	(924)
Other financing uses	-	(19,121)	(19,121)	19,121	-
Total Other Financing Sources (Uses)	<u>(1,776,473)</u>	<u>(3,788,650)</u>	<u>(3,726,978)</u>	<u>(1,887,612)</u>	<u>137,209</u>
<b>SPECIAL ITEMS</b>	<u>-</u>	<u>922</u>	<u>-</u>	<u>(922)</u>	<u>922</u>
Net Change in Fund Balances	1,409,511	89,385	70,676	(1,887,612)	137,209
<b>FUND BALANCES</b>					
July 1, 2004	<u>4,301,250</u>	<u>4,301,250</u>	<u>4,301,250</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ 5,710,761</u>	<u>\$ 4,390,635</u>	<u>\$ 4,371,926</u>	<u>\$ (1,887,612)</u>	<u>\$ 137,209</u>

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

## LOWNDES COUNTY SCHOOL DISTRICT

40

## SIXTEENTH SECTION INTEREST FUND

Schedule 1

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original To Final</u>	<u>Final To Actual</u>
	<b>REVENUES</b>				
Local sources	\$ 16,690	\$ 27,941	\$ 27,941	\$ 11,251	\$ -
Sixteenth Section sources	<u>68,382</u>	<u>191,666</u>	<u>214,698</u>	<u>123,274</u>	<u>23,032</u>
Total Revenues	<u>85,082</u>	<u>219,607</u>	<u>242,639</u>	<u>134,525</u>	<u>23,032</u>
<b>EXPENDITURES</b>					
Sixteenth Section	<u>46,053</u>	<u>40,938</u>	<u>40,938</u>	<u>5,115</u>	<u>-</u>
Total Expenditures	<u>46,053</u>	<u>40,938</u>	<u>40,938</u>	<u>5,115</u>	<u>-</u>
Excess of Revenues Over Expenditures	<u>38,029</u>	<u>178,669</u>	<u>201,701</u>	<u>129,410</u>	<u>23,032</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	<u>-</u>	<u>107,861</u>	<u>107,861</u>	<u>107,861</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>107,861</u>	<u>107,861</u>	<u>107,861</u>	<u>-</u>
Net Change in Fund Balances	39,029	286,530	309,562	237,271	23,032
<b>FUND BALANCES</b>					
July 1, 2004	<u>1,184,588</u>	<u>1,184,588</u>	<u>1,184,588</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>\$ 1,223,617</u>	<u>\$ 1,471,118</u>	<u>\$ 1,494,150</u>	<u>\$ 237,271</u>	<u>\$ 23,032</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2005

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 the date established by the Mississippi Department of Education. A budgetary comparison is presented for the general fund consistent with accounting principles generally accepted in the United States of America.

**LOWNDES COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

## LOWNDES COUNTY SCHOOL DISTRICT

43

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 2

FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Federal Expenditures
<b><i>U. S. Department of Agriculture</i></b>		
Passed-Through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 99,037
Child nutrition cluster:		
School breakfast program	10.553	282,660
National school lunch program	10.555	<u>1,176,524</u>
Total		<u>1,459,184</u>
Total U. S. Department of Agriculture		<u>1,558,221</u>
<b><i>U. S. Department of Education</i></b>		
Passed-Through Tupelo Public School District:		
Technology innovation challenge grant	84.303	<u>1,084</u>
Passed-Through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,419,442
Vocational education - basic grants to states	84.048	68,264
Safe and drug-free schools and communities - state grants	84.186	31,185
State grants for innovative program	84.298	93,795
Educational technology state grants	84.318	37,071
Improving teacher quality - state grants	84.367	<u>319,804</u>
Total		<u>1,969,561</u>
Special Education Cluster:		
Special education - grants to states	84.027	773,245
Special education - preschool grants	84.173	<u>33,186</u>
Total		<u>806,431</u>
Total Passed-Through Mississippi Department of Education		<u>2,775,992</u>
Total U. S. Department of Education		<u>2,777,076</u>

( Continued )

LOWNDES COUNTY SCHOOL DISTRICT

44

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 2

FOR THE YEAR ENDED JUNE 30, 2005

(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Federal Expenditures
<i>U. S. Department of Defense</i>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	\$ 44,955
Total U. S. Department of Defense		<u>44,955</u>
Total for all Federal Awards		<u>\$ 4,380,252</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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the School District.

LOWNDES COUNTY SCHOOL DISTRICT

45

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,  
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

Schedule 3

FOR THE YEAR ENDED JUNE 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 26,247,373	\$ 18,208,985	\$ 2,488,953	\$ 5,549,435
Other	<u>10,019,112</u>	<u>3,166,713</u>	<u>272,774</u>	<u>6,579,625</u>
	<u>\$ 36,266,485</u>	<u>\$ 21,375,698</u>	<u>\$ 2,761,727</u>	<u>\$ 12,129,060</u>
Total number of students *	<u>5,390</u>			
Cost per student	<u>\$ 6,728</u>	<u>\$ 3,966</u>	<u>\$ 512</u>	<u>\$ 2,250</u>

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

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

*Administrative* - includes expenditures for the following functions: support services - general administration (2300s); support services - school administration (2400s); and support services - business (2500s).

*Other* - includes all expenditure functions not included in instruction or administrative.

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS



ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

REGISTERED WITH PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD

AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MEMBER OF CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

MEMBER OF CENTER FOR EMPLOYEE  
BENEFIT PLAN AUDIT QUALITY

PRIVATE COMPANIES PRACTICE  
SECTION

T. E. LOTT, CPA (1926-1971)  
T. E. LOTT, JR., CPA  
OLIVER L. PHILLIPS, JR., CPA  
CHARLES M. HAWKINS, CPA, CBA  
JOHN F. PRINCE, CPA  
NELLAH F. TAYLOR, CPA  
JEFFERY H. READ, CPA  
THOMAS J. BUCKLEY, CPA  
VIVIAN L. YEATMAN, CPA  
BOBBY G. SHAW, CPA  
CAROL A. WADDLE, CPA, CBA  
GREGORY L. PHILLIPS, CPA  
DEBBY H. GRAY, CPA, CPC  
CLAYTON H. RICHARDSON, III, CPA, CVA  
J. MICHAEL PRINCE, CPA  
MARK A. VICKERS, CPA  
DAVIS C. KELLY, CPA, CSEP  
J. H. KENNEDY, JR., CPA  
SAMUEL A. BRAY, CPA  
FRANK F. GRAY, CPA  
GILBERT O. SPENCER, III, CPA  
STEWART R. GREENE, CPA  
LESLIE W. WOOD, CPA  
LAWRENCE E. WILSON, CPA  
SANDRA D. REYNOLDS, CPA  
LOUISE L. CHAPPELL, CPA  
DAVID C. NEUMANN, CPA, CBA  
MICHAEL S. HANSON, CPA

**COLUMBUS OFFICE:**  
221 NORTH SEVENTH STREET  
P.O. BOX 471  
COLUMBUS, MISSISSIPPI 39703-0471  
TELEPHONE (662) 328-5387  
FAX (662) 329-4993

**STARKVILLE OFFICE:**  
106 B SOUTH WASHINGTON STREET  
P.O. BOX 80282  
STARKVILLE, MISSISSIPPI 39759-0282  
TELEPHONE (662) 323-1234  
FAX (662) 323-1284

**TUSCALOOSA OFFICE:**  
2422 12TH STREET  
TUSCALOOSA, ALABAMA 35401  
TELEPHONE (205) 759-4195  
FAX (205) 759-1018

WEB: [www.telott.com](http://www.telott.com)  
E-MAIL: [info@telott.com](mailto:info@telott.com)

## 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

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, 2005, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described in the finding referred to above are not material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated November, 18, 2005, which is included in this report.

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

*J. E. Sott & Company*

Columbus, Mississippi  
November 18, 2005

A PROFESSIONAL ASSOCIATION  
CERTIFIED PUBLIC ACCOUNTANTS



ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

REGISTERED WITH PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD

AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MEMBER OF CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

MEMBER OF CENTER FOR EMPLOYEE  
BENEFIT PLAN AUDIT QUALITY

PRIVATE COMPANIES PRACTICE  
SECTION

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Superintendent and School Board  
Lowndes County School District

### *Compliance*

We have audited the compliance of the Lowndes County School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Lowndes County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

T. E. LOTT, CPA (1926-1971)  
T. E. LOTT, JR., CPA  
OLIVER L. PHILLIPS, JR., CPA  
CHARLES M. HAWKINS, CPA, CBA  
JOHN F. PRINCE, CPA  
NELLAH F. TAYLOR, CPA  
JEFFREY H. READ, CPA  
THOMAS J. BUCKLEY, CPA  
VIVIAN L. YEATMAN, CPA  
BOBBY G. SHAW, CPA  
CAROL A. WADDLE, CPA, CBA  
GREGORY L. PHILLIPS, CPA  
DEBBY H. GRAY, CPA, CPC  
CLAYTON H. RICHARDSON, III, CPA, CVA  
J. MICHAEL PRINCE, CPA  
MARK A. VICKERS, CPA  
DAVIS C. KELLY, CPA, CSEP  
J. H. KENNEDY, JR., CPA  
SAMUEL A. BRAY, CPA  
FRANK F. GRAY, CPA  
GILBERT O. SPENCER, III, CPA  
STEWART R. GREENE, CPA  
LESLIE W. WOOD, CPA  
LAWRENCE E. WILSON, CPA  
SANDRA D. REYNOLDS, CPA  
LOUISE L. CHAPPELL, CPA  
DAVID C. NEUMANN, CPA, CBA  
MICHAEL S. HANSON, CPA

**COLUMBUS OFFICE:**  
221 NORTH SEVENTH STREET  
P.O. BOX 471  
COLUMBUS, MISSISSIPPI 39703-0471  
TELEPHONE (662) 328-5387  
FAX (662) 329-4993

**STARKVILLE OFFICE:**  
106 B SOUTH WASHINGTON STREET  
P.O. BOX 80282  
STARKVILLE, MISSISSIPPI 39759-0282  
TELEPHONE (662) 323-1234  
FAX (662) 323-1284

**TUSCALOOSA OFFICE:**  
2422 12TH STREET  
TUSCALOOSA, ALABAMA 35401  
TELEPHONE (205) 759-4195  
FAX (205) 759-1018

WEB: [www.telott.com](http://www.telott.com)  
E-MAIL: [info@telott.com](mailto:info@telott.com)

*Internal Control Over Compliance*

The management of the Lowndes County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*J. E. Gatt & Company*

Columbus, Mississippi  
November 18, 2005

**LOWNDES COUNTY SCHOOL DISTRICT**

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



ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

MISSISSIPPI SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

REGISTERED WITH PUBLIC COMPANY  
ACCOUNTING OVERSIGHT BOARD

AMERICAN INSTITUTE OF CERTIFIED  
PUBLIC ACCOUNTANTS

MEMBER OF CENTER FOR PUBLIC  
COMPANY AUDIT FIRMS

MEMBER OF CENTER FOR EMPLOYEE  
BENEFIT PLAN AUDIT QUALITY

PRIVATE COMPANIES PRACTICE  
SECTION

T. E. LOTT, CPA (1926-1971)  
T. E. LOTT, JR., CPA  
OLIVER L. PHILLIPS, JR., CPA  
CHARLES M. HAWKINS, CPA, CBA  
JOHN F. PRINCE, CPA  
NELLAH F. TAYLOR, CPA  
JEFFRY H. READ, CPA  
THOMAS J. BUCKLEY, CPA  
VIVIAN L. YEATMAN, CPA  
BOBBY G. SHAW, CPA, CBA  
DEBBY H. GRAY, CPA, CPC  
CLAYTON H. RICHARDSON, III, CPA, CVA  
J. MICHAEL PRINCE, CPA  
MARK A. VICKERS, CPA  
DAVIS C. KELLY, CPA, CSEP  
J. H. KENNEDY, JR., CPA  
SAMUEL A. BRAY, CPA  
FRANK F. GRAY, CPA  
STEWART R. GREENE, CPA  
LESLIE W. WOOD, CPA  
LAWRENCE E. WILSON, CPA  
SANDRA D. REYNOLDS, CPA  
LOUISE L. CHAPPELL, CPA  
DAVID C. NEUMANN, CPA, CBA  
MICHAEL S. HANSON, CPA

**COLUMBUS OFFICE:**  
221 NORTH SEVENTH STREET  
P.O. BOX 471  
COLUMBUS, MISSISSIPPI 39703-0471  
TELEPHONE (662) 328-5387  
FAX (662) 329-4993

**STARKVILLE OFFICE:**  
106 B SOUTH WASHINGTON STREET  
P.O. BOX 80282  
STARKVILLE, MISSISSIPPI 39759-0282  
TELEPHONE (662) 323-1234  
FAX (662) 323-1284

**TUSCALOOSA OFFICE:**  
2422 12TH STREET  
TUSCALOOSA, ALABAMA 35401  
TELEPHONE (205) 759-4195  
FAX (205) 759-1018

**WEB:** www.telott.com  
**E-MAIL:** info@telott.com

## 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, 2005, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$19,436 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response are as follows:

**1. Finding:**

One Board member's surety bond expired January 5, 2005, but his term does not expire until January, 2006.

**Recommendation:**

All Board members should be covered by a surety bond as required by Section 37-6-15, Mississippi Code Ann. (1972).

**Response:**

The Board member was added to the surety bond coverage in December, 2005.

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

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

*J. E. Sott & Company*

Columbus, Mississippi  
November 18, 2005

**LOWNDES COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

**Section 1: Summary of Auditors' Results***Financial Statements:*

- |  |             |
|--|-------------|
| 1. Type of auditors' report issued on the financial statements:                    | Unqualified |
| 2. Material noncompliance relating to the financial statements?                    | No          |
| 3. Internal control over financial reporting:                                      |             |
| a. Material weakness identified?   | No          |
| b. Reportable condition identified that is not considered to be material weakness? | Yes         |

## Federal Awards:

- |  |             |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:           | Unqualified |
| 5. Internal control over major programs:   |             |
| a. Material weaknesses identified?   | No          |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No          |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?   | No          |

( Continued )

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

Section 1: Summary of Auditors' Results (Continued)

7. Federal programs identified as major programs:

a. Child Nutrition Cluster:

CFDA #10.553

CFDA #10.555

b. Title I - Grants to local educational agencies - CFDA #84.010

c. Special Education Cluster:

CFDA #84.027

CFDA #84.173

d. Improving teacher quality - state grants CFDA #84.367

8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000

9. Auditee qualified as a low-risk auditee? No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

**Section 2: Financial Statement Findings**

*Reportable Conditions*

2005-1. *Finding*

The following deficiencies were noted during our examination of general activity fund receipts:

- A. Several deposits were missing the receipts.
- B. Several transmittal sheets lacked the detail required by the *Financial Accounting Manual for Mississippi Public School Districts*.
- C. The tickets sold for events were not documented properly.
- D. Two schools held money for a week or longer before depositing it.
- E. One school did not record dates on deposit slips.

*Recommendation*

We recommend that policies and procedures be implemented to correct the above noted weaknesses. At a minimum, the District should implement the following procedures:

- A. All deposits should be attached to the receipts.
- B. The transmittal sheets should have all the detail required by the *Financial Accounting Manual for Mississippi Public School Districts*.
- C. The correct number of tickets sold should be recorded on the special events form.
- D. All money should be deposited daily.
- E. All deposit slips should be dated.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

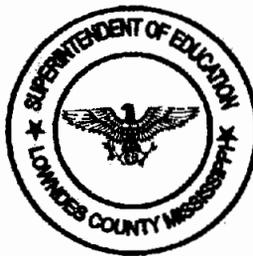
**FOR THE YEAR ENDED JUNE 30, 2005**

**Section 3: Federal Awards Findings and Questioned Costs**

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**AUDITEE'S CORRECTIVE ACTION PLAN**



Dr. Cindy Hayslett  
Asst. Superintendent

Maye Harrison  
Voc. and Tech Prep

## Lowndes County Schools

Dr. Peggy Rogers  
Asst. Superintendent

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

Karen Harris  
Special Education

Frances Goldmon  
Business Office/Adm.

Mike Halford  
Superintendent

Sheila Dupree  
Child Nutrition

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(b) of *OMB Circular A-133*, the Lowndes County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

#### *Finding      Corrective Action Plan Details*

The contact person is the Superintendent, Michael L. Halford, whose telephone number is 662-329-5000.

#### 2005-1 Finding

#### Response:

Activity funds were centralized July 1, 2005. Management has provided all schools with an accounting manual to follow, including excerpts from the State Department of Audit's Accounting Manual, instructions on revenue receipt processes, payment processes, receipt of goods processes and purchasing laws and procedures, filing, and cancellation of invoices. Superintendent shall inform all schools that they must follow processes provided to them in July 2003. However, under centralized activity funds, purchase requisitions shall be approved before payment is issued and checks shall be issued through the regular accounts payable department.

Receipting processes were furnished to the schools in accounting manual in July 2003 outlining the documentation required for receipts. Cash procedures were discussed heavily in a staff development session in July 2003. Board policy covers timely depositing of all money. The Superintendent shall inform each school that they must follow procedures and policies. Receipt transmittals shall be required to be in Central Office by the 5<sup>th</sup> of the month.

Sincerely,

Michael L. Halford  
Superintendent

**LOWNDES COUNTY SCHOOL DISTRICT**

**AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS**



Dr. Cindy Hayslett  
Asst. Superintendent

Maye Harrison  
Voc. and Tech Prep

## Lowndes County Schools

Dr. Peggy Rogers  
Asst. Superintendent

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

Karen Harris  
Special Education

Frances Goldman  
Business Office/Adm.

Mike Halford  
Superintendent

Sheila Dupree  
Child Nutrition

### AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_.315(b) of *OMB Circular A-133*, the Lowndes County School District has prepared and hereby submits the following summary of prior year audit findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2004:

***Finding***      ***Corrective Action Plan Details***

The contact person is the Superintendent, Michael L. Halford, whose telephone number is 662-329-5000.

2004-4 Finding for Child Nutrition Cluster

A new Child Nutrition Supervisor was hired who was a monitor for the State Child Nutrition Program that knows regulations and guidelines. She has implemented corrective action during the FY 2004-2005. The State has since returned to the district to monitor Child Nutrition and has stated that the proper corrective action has been taken. Also, new software is being purchased for the FY 2006-2007 year. The business officer/administrator has worked in conjunction with the child nutrition/supervisor to ensure that proper internal control and cash receipting and depositing procedures are implemented.

Sincerely,

Michael L. Halford  
Superintendent