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**LOWNDES COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2006**



LOWNDES COUNTY SCHOOL DISTRICT

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**LOWNDES COUNTY SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

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

Member of Governmental Audit Quality Center

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  
Jeffrey H. Read, CPA  
Thomas J. Buckley, CPA  
Vivian L. Yeatman, CPA  
Bobby G. Shaw, CPA, CBA  
Debby H. Gray, CPA, CPC  
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J. H. Kennedy, Jr., CPA  
Samuel A. Bray, CPA  
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David C. Neumann, CPA, CBA  
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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, 2006, 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, 2006, 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 17, 2006, 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 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on Pages 43 and 44 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. Goff & Company*

Columbus, Mississippi  
November 17, 2006

**LOWNDES COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. 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 \$3,721,630, which represents a 17% increase from fiscal year 2005.
- General revenues account for \$34,725,189 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,868,977 or 17% of total revenues.
- The District had \$37,872,536 in expenses; only \$6,868,977 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$34,725,189 were adequate to provide for these programs.
- Among major funds, the General Fund had \$33,132,074 in revenues, \$28,930,394 in expenditures and \$1,844,158 in net other financing uses. The General Fund's fund balance increased \$2,357,522 compared to the prior year due to the increase in tax collections over levy, additional industry in-lieu of tax payment and state revenue. State revenue was offset by a required 8 percent increase in teacher raises and increase in state health insurance premiums.
- Capital assets, net of accumulated depreciation, increased by \$2,718,083.
- Long-term debt increased by \$4,117,573. Six million dollars of three-mill notes payable were issued for repair, renovation and new additions for school facilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

**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.

**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 14 - 16 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, 2006

**Governmental Funds.** (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental funds balance sheet and the governmental funds 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 18 and 20, respectively.

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

The basic governmental funds financial statements can be found on Pages 17 - 20 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 District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets on Page 21.

**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 funds financial statements. The notes to the financial statements can be found on Pages 23 - 41 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 42 - 44 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on Pages 46 - 47 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

## 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 \$35,848,590 as of June 30, 2006.

By far the largest portion of the District's net assets (52%) 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 ended June 30, 2005, and June 30, 2006.

|   | <u>FY 2005</u>              | <u>FY 2006</u>              | <u>Percentage<br/>Change</u> |
|---|-----------------------------|-----------------------------|------------------------------|
| Current Assets                                  | \$ 14,554,691               | \$ 21,081,477               | 44.8%                        |
| Capital Assets, net                             | <u>31,224,967</u>           | <u>33,943,050</u>           | 8.7%                         |
| <b>Total Assets</b>                             | <b>45,779,658</b>           | <b>55,024,527</b>           | <b>20.2%</b>                 |
| Current Liabilities                             | 4,051,568                   | 5,185,569                   | 28.0%                        |
| Long-term Debt Outstanding                      | <u>9,601,130</u>            | <u>13,990,368</u>           | 45.7%                        |
| <b>Total Liabilities</b>                        | <b>13,652,698</b>           | <b>19,175,937</b>           | <b>40.5%</b>                 |
| <b>Net Assets:</b>                              |                             |                             |                              |
| Invested in Capital Assets, net of related debt | 20,070,751                  | 18,671,261                  | (7.0%)                       |
| Restricted                                      | 8,003,868                   | 10,784,722                  | 34.7%                        |
| Unrestricted                                    | <u>4,052,341</u>            | <u>6,392,607</u>            | 57.8%                        |
| <b>Total Net Assets</b>                         | <b><u>\$ 32,126,960</u></b> | <b><u>\$ 35,848,590</u></b> | <b>11.6%</b>                 |

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

- The principal retirement of \$1,882,427 of long-term debt.
- Cash increase due to the increase in tax collections over levy, additional industry in-lieu of taxes and state revenue. State revenue was offset by a required 8 percent increase in teacher raises and an increase in state health insurance premiums.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2005 and 2006, were \$37,779,582 and \$41,594,166, respectively. The total costs of all programs and services were \$34,603,332 and \$37,872,536, respectively. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2005 and 2006.

|   | <u>FY 2005</u>             | <u>FY 2006</u>             | <u>Percentage<br/>Change</u> |
|---|----------------------------|----------------------------|------------------------------|
| <b>Revenues:</b>                        |                            |                            |                              |
| Program revenues:                       |                            |                            |                              |
| Changes for services                    | \$ 1,506,140               | \$ 1,420,747               | (5.7%)                       |
| Operating grants and contributions      | 5,636,749                  | 5,448,230                  | (3.3%)                       |
| General revenues:                       |                            |                            |                              |
| Property taxes                          | 10,067,306                 | 10,457,114                 | 3.9%                         |
| Grants and contributions not restricted | 19,707,554                 | 22,119,518                 | 12.2%                        |
| Other                                   | <u>861,833</u>             | <u>2,148,557</u>           | 149.3%                       |
| <b>Total Revenues</b>                   | <b><u>37,779,582</u></b>   | <b><u>41,594,166</u></b>   | <b>10.1%</b>                 |
| <b>Expenses:</b>                        |                            |                            |                              |
| Instruction                             | 21,428,669                 | 22,953,096                 | 7.1%                         |
| Support Services                        | 10,710,521                 | 12,100,893                 | 13.0%                        |
| Non-instructional                       | 1,957,977                  | 2,072,343                  | 5.8%                         |
| Sixteenth Section                       | 43,542                     | 86,880                     | 99.5%                        |
| Interest on Long-term Liabilities       | <u>462,623</u>             | <u>659,324</u>             | 42.5%                        |
| <b>Total Expenses</b>                   | <b><u>34,603,332</u></b>   | <b><u>37,872,536</u></b>   | <b>9.4%</b>                  |
| <b>Increase in Net Assets</b>           | <b><u>\$ 3,176,250</u></b> | <b><u>\$ 3,721,630</u></b> | <b>17.2%</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<br/>Change</u> | <u>Net Cost of Services</u>   |                               | <u>Percentage<br/>Change</u> |
|-----------------------------------|-------------------------------|-----------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|
|                                   | <u>2005</u>                   | <u>2006</u>                 |                              | <u>2005</u>                   | <u>2006</u>                   |                              |
| Instruction                       | \$ 21,428,669                 | \$ 22,953,096               | 7.1%                         | \$ (17,312,014)               | \$ (19,347,999)               | 11.8%                        |
| Support Services                  | 10,710,521                    | 12,100,893                  | 13.0%                        | (9,399,006)                   | (10,696,212)                  | 13.8%                        |
| Non-Instructional                 | 1,957,977                     | 2,072,343                   | 5.8%                         | (244,773)                     | (213,144)                     | (12.9)                       |
| Sixteenth Section                 | 43,542                        | 86,880                      | 99.5%                        | (42,027)                      | (86,880)                      | 106.7%                       |
| Interest on long-term liabilities | <u>462,623</u>                | <u>659,324</u>              | 42.5%                        | <u>(462,623)</u>              | <u>(659,324)</u>              | 42.5%                        |
| <b>Total Expenses</b>             | <b><u>\$ 34,603,332</u></b>   | <b><u>\$ 37,872,536</u></b> | <b>9.4%</b>                  | <b><u>\$ (27,460,443)</u></b> | <b><u>\$ (31,003,559)</u></b> | <b>12.9%</b>                 |

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

**Governmental activities.** (Continued)

- Net cost of governmental activities of \$27,460,443 and \$31,003,559, was financed by general revenue, which is made up primarily of property taxes of \$9,062,334 and \$9,452,141 and state revenue of \$19, 336,977 and \$21,804,642 for June 30, 2005 and 2006, respectively.
- Investment earnings accounted for \$232,028 and \$323,752 of the funding for June 30, 2005 and 2006, respectively.
- 16<sup>th</sup> Section sources of \$237,972 and \$1,231,004 for June 30, 2005 and 2006, respectively, from oil, gas, and land leases.

**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 \$17,800,076, an increase of \$5,247,667 due primarily to industry in-lieu of taxes, increase in tax levy and increase in state MAEP funds. \$17,309,713 or 97.2% 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 \$490,363 or 2.8% 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 \$2,357,522. The decrease in fund balance in the Local Construction Fund was \$567,965 and 16th Section Interest Fund increase for the fiscal year was \$1,206,929 (resulting from oil and gas leases primarily). Series 2006 Construction Fund ended with a fund balance of \$2,481,495 from the \$6,000,000 limited note issuance. The fund balance for Other Governmental Funds showed a decrease of \$260,314 due to the decrease in food service fund balance, local grants, 16<sup>th</sup> Section fund (transfer to 16<sup>th</sup> Section interest fund) and more expended EEF instruction monies.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

## 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 for teacher raises and increases in state health insurance. Budget amounts for revenue from local sources increased due to tax collections exceeding the levy amount, and in-lieu of taxes.

The schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$59,508,494, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$3,846,687 from the previous year. The significant additions were the purchase of land and improvements to buildings with the construction in progress balance increasing by \$2,808,329. Total accumulated depreciation as of June 30, 2006, was \$25,565,444 and total depreciation expense for the year was \$1,211,139, resulting in total net assets of \$33,943,050.

|                                   | Capital Assets,<br>Net of Depreciation |                      | Percentage<br>Change |
|-----------------------------------|--|----------------------|----------------------|
|                                   | FY 2005                                | FY 2006              |                      |
| Land                              | \$ 980,990                             | \$ 1,200,990         | 22.4%                |
| Construction in progress          | 522,239                                | 3,330,568            | 637.7%               |
| Buildings                         | 26,175,038                             | 25,445,935           | (2.8%)               |
| Improvements other than buildings | 1,587,658                              | 2,036,700            | 28.3%                |
| Mobile equipment                  | 1,635,530                              | 1,652,628            | 1.0%                 |
| Furniture and equipment           | 323,512                                | 276,229              | (14.6%)              |
| <b>Total</b>                      | <b>\$ 31,224,967</b>                   | <b>\$ 33,943,050</b> | <b>8.7%</b>          |

Additional information concerning the District's capital assets can be found in Note 5 on Page 33 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

**Debt Administration.** At June 30, 2006, the District had \$15,627,795 in general obligation bonds and other long-term debt outstanding, of which \$1,637,427 is due within one year.

The District issued a \$6,000,000 three mill note for the purchase of land and building improvements.

|                                  | Outstanding Debt     |                      | Percentage   |
|----------------------------------|----------------------|----------------------|--------------|
|                                  | FY 2005              | FY 2006              | Change       |
| General obligation bonds payable | \$ 1,745,000         | \$ 1,110,000         | (36.4%)      |
| Three mill notes payable         | 2,415,000            | 8,100,000            | 335.4%       |
| Transportation notes payable     | 350,000              | -                    | (100.0%)     |
| Obligations under capital leases | 334,216              | 256,789              | (23.2%)      |
| Limited obligation bonds payable | 6,310,000            | 5,805,000            | (8.0%)       |
| Compensated absences payable     | 329,341              | 356,006              | 8.1%         |
| <b>Total</b>                     | <b>\$ 11,483,557</b> | <b>\$ 15,627,795</b> | <b>36.1%</b> |

**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 eleven 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 141 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) 244-5005. Michael L. Halford is the current superintendent.

**LOWNDES COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

## LOWNDES COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2006

|  | Primary<br>Governmental<br><hr/> Governmental<br>Activities<br><hr/> |
|--|--|
| <b><i>ASSETS</i></b>   |  |
| Cash and cash equivalents (Notes 1-F and 3-A)                      | \$ 18,218,440  |
| Investments (Notes 1-G and 3-B)                                    | 500,000  |
| Due from other governments   | 1,315,227  |
| Other receivables, net   | 20,203   |
| Inventories and prepaid items (Note 1-H)                           | 67,923   |
| Restricted assets (Notes 1-G and 3-B)                              | 959,684  |
| Capital assets, not being depreciated (Notes 1-I and 5):           |  |
| Land   | 1,200,990  |
| Construction in progress   | 3,330,568  |
| Capital assets, net of accumulated depreciation (Notes 1-I and 5): |  |
| Buildings  | 25,445,935   |
| Improvements other than buildings                                  | 2,036,700  |
| Mobile equipment   | 1,652,628  |
| Furniture and equipment  | <u>276,229</u>   |
| Total Assets   | <u>\$ 55,024,527</u>   |
| <b><i>LIABILITIES</i></b>  |  |
| Accounts payable and accrued liabilities                           | \$ 3,257,194   |
| Unearned revenue   | 24,207   |
| Interest payable on long-term liabilities                          | 266,741  |
| Long-term liabilities, due within one year (Note 6):               |  |
| Capital related liabilities  | 1,637,427  |
| Long-term liabilities, due beyond one year (Note 6):               |  |
| Capital related liabilities  | 13,634,362   |
| Non-capital related liabilities                                    | <u>356,006</u>   |
| Total Liabilities  | <u>\$ 19,175,937</u>   |

( Continued )

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

## LOWNDES COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2006

| (Continued)                                       | Primary<br>Governmental<br><hr/> Governmental<br>Activities<br><hr/> |
|---|--|
| <b><i>NET ASSETS</i></b>                          |  |
| Investment in capital assets, net of related debt | \$ 18,671,261  |
| Restricted net assets:                            |  |
| Expendable:                                       |  |
| School-based activities                           | 3,254,012  |
| Debt service                                      | 1,102,372  |
| Capital improvements                              | 5,900,598  |
| Forestry improvements                             | 300  |
| Unemployment benefits                             | 105,000  |
| Non-expendable:                                   |  |
| Sixteenth section                                 | 422,440  |
| Unrestricted                                      | <u>6,392,607</u>   |
| Total Net Assets                                  | <u>\$ 35,848,590</u>   |

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

LOWNDES COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

| Functions/Programs                | Expenses            | Program Revenues                       |  |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Assets |
|-----------------------------------|---------------------|--|--|--|--|
|                                   |                     | Charges for<br>Services                | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary<br>Governmental<br>Activities                    |
| Primary Government:               |                     |  |  |  |  |
| Governmental Activities:          |                     |  |  |  |  |
| Instruction                       | \$22,953,096        | \$ 940,683                             | \$2,664,414                              | \$ -                                   | \$ (19,347,999)  |
| Support services                  | 12,100,893          | -                                      | 1,404,681                                | -                                      | (10,696,212)   |
| Non-instructional                 | 2,072,343           | 480,064                                | 1,379,135                                | -                                      | (213,144)  |
| Sixteenth section                 | 86,880              | -                                      | -  | -                                      | (86,880)   |
| Interest on long-term liabilities | 659,324             | -                                      | -  | -                                      | (659,324)  |
| Total governmental activities     | <u>\$37,872,536</u> | <u>\$ 1,420,747</u>                    | <u>\$ 5,448,230</u>                      | <u>\$ -</u>                            | <u>(31,003,559)</u>                                      |
|                                   |                     | General Revenues                       |  |  |  |
|                                   |                     | Taxes:                                 |  |  |  |
|                                   |                     |  |  |  | 8,981,673  |
|                                   |                     |  |  |  | 470,468  |
|                                   |                     |  |  |  | 1,004,973  |
|                                   |                     | Unrestricted grants and contributions: |  |  |  |
|                                   |                     |  |  |  | 21,804,642   |
|                                   |                     |  |  |  | 314,876  |
|                                   |                     |  |  |  | 323,752  |
|                                   |                     |  |  |  | 1,231,004  |
|                                   |                     |  |  |  | 593,801  |
|                                   |                     |  |  |  | <u>34,725,189</u>  |
|                                   |                     |  |  |  | Change in Net Assets 3,721,630                           |
|                                   |                     |  |  |  | Net Assets - Beginning <u>32,126,960</u>                 |
|                                   |                     |  |  |  | Net Assets - Ending <u>\$ 35,848,590</u>                 |

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2006**

|  | Major Funds         |                               |  |                                  |                                | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|--|----------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Local<br>Construction<br>Fund | Series 2006<br>Notes -<br>Construction<br>Fund | 16th Section<br>Interest<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>ASSETS</b>                                      |                     |                               |  |                                  |                                |                                |
| Cash and cash equivalents<br>(Notes 1-F and 3A)    | \$ 7,283,604        | \$ 3,419,761                  | \$ 3,379,453                                   | \$ 2,696,813                     | \$ 1,861,249                   | \$ 18,640,880                  |
| Investments<br>(Notes 1-G and 3-B)                 | 500,000             | -                             | -  | -                                | 537,244                        | 1,037,244                      |
| Due from other governments                         | 415,392             | -                             | -  | -                                | 899,835                        | 1,315,227                      |
| Due from other funds (Note 4)                      | 327,385             | -                             | -  | -                                | -                              | 327,385                        |
| Other receivables, net                             | -                   | -                             | -  | 14,929                           | 5,274                          | 20,203                         |
| Inventories and prepaid items                      | -                   | -                             | -  | -                                | 67,923                         | 67,923                         |
| <b>Total Assets</b>                                | <b>\$ 8,526,381</b> | <b>\$ 3,419,761</b>           | <b>\$ 3,379,453</b>                            | <b>\$ 2,711,742</b>              | <b>\$ 3,371,525</b>            | <b>\$ 21,408,862</b>           |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>           |                     |                               |  |                                  |                                |                                |
| Liabilities:                                       |                     |                               |  |                                  |                                |                                |
| Accounts payable and<br>accrued liabilities        | \$ 1,796,934        | \$ 658                        | \$ 897,958                                     | \$ 10,663                        | \$ 550,981                     | \$ 3,257,194                   |
| Due to other funds (Note 4)                        | -                   | -                             | -  | -                                | 327,385                        | 327,385                        |
| Deferred revenue                                   | -                   | -                             | -  | -                                | 24,207                         | 24,207                         |
| <b>Total Liabilities</b>                           | <b>1,796,934</b>    | <b>658</b>                    | <b>897,958</b>                                 | <b>10,663</b>                    | <b>902,573</b>                 | <b>3,608,786</b>               |
| Fund Balances:                                     |                     |                               |  |                                  |                                |                                |
| Reserved for:                                      |                     |                               |  |                                  |                                |                                |
| Inventory  | -                   | -                             | -  | -                                | 67,923                         | 67,923                         |
| Investments  | -                   | -                             | -  | -                                | 422,440                        | 422,440                        |
| Unemployment                                       | -                   | -                             | -  | -                                | 105,000                        | 105,000                        |
| Unreserved:  |                     |                               |  |                                  |                                |                                |
| Undesignated,<br>reported in:                      |                     |                               |  |                                  |                                |                                |
| General fund                                       | 6,729,447           | -                             | -  | -                                | -                              | 6,729,447                      |
| Special Revenue<br>funds                           | -                   | -                             | -  | 2,701,079                        | 485,309                        | 3,186,388                      |
| Capital Projects<br>funds                          | -                   | 3,419,103                     | 2,481,495                                      | -                                | -                              | 5,900,598                      |
| Debt Service funds                                 | -                   | -                             | -  | -                                | 1,369,113                      | 1,369,113                      |
| Permanent funds                                    | -                   | -                             | -  | -                                | 19,167                         | 19,167                         |
| <b>Total Fund Balances</b>                         | <b>6,729,447</b>    | <b>3,419,103</b>              | <b>2,481,495</b>                               | <b>2,701,079</b>                 | <b>2,468,952</b>               | <b>17,800,076</b>              |
| <b>Total Liabilities and<br/>and Fund Balances</b> | <b>\$ 8,526,381</b> | <b>\$ 3,419,761</b>           | <b>\$ 3,379,453</b>                            | <b>\$ 2,711,742</b>              | <b>\$ 3,371,525</b>            | <b>\$ 21,408,862</b>           |

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

## LOWNDES COUNTY SCHOOL DISTRICT

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

JUNE 30, 2006

|  | <u>Amount</u>        |
|--|----------------------|
| Total Fund Balance - Governmental Funds  | \$ 17,800,076        |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                      |
| 1. Capital assets 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 5) | 33,943,050           |
| 2. Interest on long-term debt is recognized under modified accrual basis of accounting when due, rather than as it accrues.  | (266,741)            |
| 3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (Note 6)   | <u>(15,627,795)</u>  |
| Total Net Assets - Governmental Activities   | <u>\$ 35,848,590</u> |

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

|  | Major Funds         |                               |  |                                  |                                | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------------------|--|----------------------------------|--------------------------------|--------------------------------|
|  | General<br>Fund     | Local<br>Construction<br>Fund | Series 2006<br>Notes -<br>Construction<br>Fund | 16th Section<br>Interest<br>Fund | Other<br>Governmental<br>Funds |                                |
| <b>REVENUES</b>                                      |                     |                               |  |                                  |                                |                                |
| Local sources  | \$11,416,490        | \$ -                          | \$ 59,466                                      | \$ 35,583                        | \$1,277,098                    | \$ 12,788,637                  |
| State sources  | 21,400,708          | -                             | -  | -                                | 1,505,585                      | 22,906,293                     |
| Federal sources                                      | 314,876             | -                             | -  | -                                | 4,346,579                      | 4,661,455                      |
| Sixteenth section sources                            | -                   | -                             | -  | 1,224,124                        | 20,174                         | 1,244,298                      |
| Total Revenues                                       | <u>33,132,074</u>   | <u>-</u>                      | <u>59,466</u>                                  | <u>1,259,707</u>                 | <u>7,149,436</u>               | <u>41,600,683</u>              |
| <b>EXPENDITURES</b>                                  |                     |                               |  |                                  |                                |                                |
| Instruction  | 18,822,962          | -                             | -  | -                                | 3,324,673                      | 22,147,635                     |
| Support services                                     | 10,105,558          | 83,505                        | 237,626  | -                                | 1,639,264                      | 12,065,953                     |
| Noninstructional services                            | 1,874               | -                             | -  | -                                | 2,002,687                      | 2,004,561                      |
| Sixteenth section                                    | -                   | -                             | -  | 52,778                           | 34,102                         | 86,880                         |
| Facilities acquisition and construction              | -                   | 250,945                       | 3,262,793                                      | -                                | 77,339                         | 3,591,077                      |
| Debt service:  | -                   | -                             | -  | -                                | -                              | -                              |
| Principal  | -                   | -                             | -  | -                                | 1,882,427                      | 1,882,427                      |
| Interest   | -                   | -                             | -  | -                                | 446,209                        | 446,209                        |
| Advance refunding escrow                             | -                   | -                             | -  | -                                | -                              | -                              |
| Other  | -                   | -                             | 109,000  | -                                | 4,233                          | 113,233                        |
| Total Expenditures                                   | <u>28,930,394</u>   | <u>334,450</u>                | <u>3,609,419</u>                               | <u>52,778</u>                    | <u>9,410,934</u>               | <u>42,337,975</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 4,201,680           | (334,450)                     | (3,549,953)                                    | 1,206,929                        | (2,261,498)                    | (737,292)                      |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>            |                     |                               |  |                                  |                                |                                |
| Proceeds of loans                                    | -                   | -                             | 6,000,000                                      | -                                | -                              | 6,000,000                      |
| Insurance loss recoveries                            | 6,442               | -                             | -  | -                                | -                              | 6,442                          |
| Sale of other property                               | 3,200               | -                             | -  | -                                | -                              | 3,200                          |
| Operating transfers in                               | 3,216,645           | 603,836                       | 61,448   | -                                | 2,411,064                      | 6,292,993                      |
| Operating transfers out                              | (5,034,907)         | (837,351)                     | -  | -                                | (420,735)                      | (6,292,993)                    |
| Other financing uses                                 | (35,539)            | -                             | -  | -                                | (120)                          | (35,659)                       |
| Total Other Financing Sources (Uses)                 | <u>(1,844,159)</u>  | <u>(233,515)</u>              | <u>6,061,448</u>                               | <u>-</u>                         | <u>1,990,209</u>               | <u>5,973,983</u>               |
| Net Change in Fund Balances                          | 2,357,521           | (567,965)                     | 2,511,495                                      | 1,206,929                        | (271,289)                      | 5,236,691                      |
| Fund Balances:                                       |                     |                               |  |                                  |                                |                                |
| July 1, 2005   | 4,371,926           | 3,987,068                     | (30,000)                                       | 1,494,150                        | 2,729,265                      | 12,552,409                     |
| Increase (decrease) in reserve<br>for inventory      | -                   | -                             | -  | -                                | 10,976                         | 10,976                         |
| June 30, 2006  | <u>\$ 6,729,447</u> | <u>\$ 3,419,103</u>           | <u>\$ 2,481,495</u>                            | <u>\$2,701,079</u>               | <u>\$2,468,952</u>             | <u>\$ 17,800,076</u>           |

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

## LOWNDES COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Governmental Funds \$ 5,236,691

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 asset purchases amounted to \$3,942,696, and the depreciation expense amounted to \$1,211,139. (Note 5)  | 2,731,557           |
| 2. Increase in reserve for inventory  | 10,976              |
| 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 from and loss on sales of capital assets. |                     |
| Loss on sales of capital assets   | (13,474)            |
| 4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the statement of net assets.  | (6,000,000)         |
| 5. 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 activities. (Note 6)  | 1,882,427           |
| 6. Compensated absences   | (26,665)            |
| 7. Accrued interest on bonds  | <u>(99,882)</u>     |
| Change in Net Assets of Governmental Activities   | <u>\$ 3,721,630</u> |

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2006**

|   | <u>Private-<br/>Purpose<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> |
|---|---|-------------------------|
| <i><b>ASSETS</b></i>                          |   |                         |
| Cash and cash equivalents (Notes 1-F and 3-A) | \$ 12,026                                   | \$ 23,729               |
| Total Assets                                  | <u>\$ 12,026</u>                            | <u>\$ 23,729</u>        |
| <i><b>LIABILITIES</b></i>                     |   |                         |
| Due to student clubs                          | \$ -  | \$ 23,729               |
| Total Liabilities                             | <u>\$ -</u>                                 | <u>\$ 23,729</u>        |
| <i><b>NET ASSETS</b></i>                      |   |                         |
| Reserved for endowments                       | \$ 12,026                                   |                         |
| Total Net Assets                              | <u>\$ 12,026</u>                            |                         |

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

|                          | <u>Private-<br/>Purpose<br/>Trust Funds</u> |
|--------------------------|---|
| <b><i>ADDITIONS</i></b>  |   |
| Interest on investments  | \$ 246                                      |
| Total Additions          | 246   |
| <b><i>DEDUCTIONS</i></b> |   |
| Scholarships awarded     | <u>500</u>                                  |
| Total Deductions         | <u>500</u>                                  |
| Change in Net Assets     | (254)                                       |
| Net Assets               |   |
| July 1, 2005             | <u>12,280</u>                               |
| June 30, 2006            | <u><u>\$ 12,026</u></u>                     |

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***NOTE 1 - SUMMARY OF ACCOUNTING POLICIES***

The accompanying financial statements of the Lowndes County School District (the 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 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 District's governing board. As defined by the accounting principles generally accepted in the United States of America, the District is considered a "primary government." The District is governed by a five-member board, with each member elected by the citizens of each defined county district.

**B. Basis of Presentation**

The 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 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 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are 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 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 District.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)**B. Basis of Presentation** (Continued)*Fund Financial Statements:*

Fund financial statements of the 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. 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, as are the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used regardless of when the related cash flow takes place. 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 District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the 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.

Series 2006 Notes Construction Fund - This fund accounts for major construction in the District funded by notes.

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**.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 1 - SUMMARY OF ACCOUNTING POLICIES** (Continued)**C. Measurement Focus and Basis of Accounting** (Continued)

Additionally, the 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 broad classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 1990 issued by the U.S. Department of Education.

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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 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 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.

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

Investments are reported at fair value.

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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

**I. Capital Assets**

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

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.

Depreciation is calculated on the straight-line method for all assets, except land. The following schedule details those thresholds.

|                                   | <u>Capitalization<br/>Policy</u> | <u>Estimated<br/>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 5 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 debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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 4 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."

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**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.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

**M. Property Taxes**

Ad valorem property taxes are levied by the governing authorities of the county on behalf of the District based upon an order adopted by the School Board of the District requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the 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 District accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by District policy. Some employees are allowed personal leave and/or vacation leave in accordance with District policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 2 - CHANGES IN ACCOUNTING STANDARDS**

As required, the District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Standard requires governments to evaluate major events affecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this Standard.

**NOTE 3 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS****A. Cash and Cash Equivalents**

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

*Deposits*

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

The carrying amount of the District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$18,640,880 and \$35,755, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$18,218,440 and Restricted Assets - \$959,684. The Restricted Assets represent the cash balance of Sixteenth Section Principal Fund (Permanent Fund) and MAEP for debt, which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$19,591,455.

*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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2006, none of the District's bank balance of \$19,591,455 was exposed to custodial credit risk

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 3 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**B. Investments**

As of June 30, 2006, the District had the following investments:

| <u>Investment Type</u>                           | <u>Maturities<br/>(in years)</u> | <u>Fair Value</u>   | <u>Rating</u> |
|--|----------------------------------|---------------------|---------------|
| Hancock Bank treasury money market               | Less than 1                      | \$ 537,244          | AAA           |
| Trustmark National Bank treasury<br>money market | Less than 1                      | <u>500,000</u>      | AAA           |
| Total Investments                                |                                  | <u>\$ 1,037,244</u> |               |

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

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

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

*Concentration of Credit Risk.* 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.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES****A. Due From / To Other Funds:**

|                          | <u>Due<br/>From</u> | <u>Due<br/>To</u> |
|--------------------------|---------------------|-------------------|
| Major Funds:             |                     |                   |
| General Fund             | \$ 327,385          | \$ -              |
| Other Governmental Funds | <u>-</u>            | <u>327,385</u>    |
| Total                    | <u>\$ 327,385</u>   | <u>\$ 327,385</u> |

All amounts due from and due to were to adjust deficit cash balances.

**B. Transfers In / Out**

|                                     | <u>Transfers<br/>In</u> | <u>Transfers<br/>Out</u> |
|-------------------------------------|-------------------------|--------------------------|
| Major Funds:                        |                         |                          |
| General Fund                        | \$ 3,216,645            | \$ 5,534,907             |
| Local Construction Fund             | 603,836                 | 837,351                  |
| Series 2006 Notes Construction Fund | 61,448                  | -                        |
| Other Governmental Funds            | <u>2,911,064</u>        | <u>420,735</u>           |
| Total Funds                         | <u>\$ 6,792,993</u>     | <u>\$ 6,792,993</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 a capital project fund.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5 - CAPITAL ASSETS**

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

|   | Balance<br>7-1-05 | Additions    | Retire-<br>ments | Completed<br>Construc-<br>tion | Adjust-<br>ments | Balance<br>6-30-06 |
|---|-------------------|--------------|------------------|--------------------------------|------------------|--------------------|
| <b>Non-depreciable capital assets</b>       |                   |              |                  |                                |                  |                    |
| Land  | \$ 980,990        | \$ 220,000   | \$ -             | \$ -                           | \$ -             | \$ 1,200,990       |
| Construction in progress                    | 522,239           | 3,359,108    | -                | (550,779)                      | -                | 3,330,568          |
| Total non-depreciable capital assets        | 1,503,229         | 3,579,108    | -                | (550,779)                      | -                | 4,531,558          |
| <b>Depreciable capital assets:</b>          |                   |              |                  |                                |                  |                    |
| Buildings                                   | 47,615,897        | -            | -                | -                              | -                | 47,615,897         |
| Improvements other than buildings           | 1,852,747         | -            | (54,890)         | 550,779                        | -                | 2,348,636          |
| Mobile equipment                            | 3,649,590         | 303,120      | (8,600)          | -                              | -                | 3,944,110          |
| Furniture and equipment                     | 1,040,344         | 60,468       | (32,519)         | -                              | -                | 1,068,293          |
| Total depreciable capital assets            | 54,158,578        | 363,588      | (96,009)         | 550,779                        | -                | 54,976,936         |
| <b>Less accumulated depreciation for:</b>   |                   |              |                  |                                |                  |                    |
| Buildings                                   | 21,440,859        | 729,103      | -                | -                              | -                | 22,169,962         |
| Improvements other than buildings           | 265,089           | 90,759       | (43,912)         | -                              | -                | 311,936            |
| Mobile equipment                            | 2,014,060         | 285,162      | (7,740)          | -                              | -                | 2,291,482          |
| Furniture and equipment                     | 716,832           | 106,115      | (30,883)         | -                              | -                | 792,064            |
| Total accumulated depreciation              | 24,436,840        | 1,211,139    | (82,535)         | -                              | -                | 25,565,444         |
| Total depreciable capital assets, net       | 29,721,738        | (847,551)    | (13,474)         | 550,779                        | -                | 29,411,492         |
| Governmental activities capital assets, net | \$ 31,224,967     | \$ 2,731,557 | \$ (13,474)      | \$ -                           | \$ -             | \$ 33,943,050      |

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 5 - CAPITAL ASSETS** (Continued)

Depreciation expense was charged to the following governmental functions:

|                            | <u>Amount</u>       |
|----------------------------|---------------------|
| Instruction                | \$ 829,574          |
| Support services           | 305,539             |
| Non-instructional          | <u>76,026</u>       |
| Total depreciation expense | <u>\$ 1,211,139</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.

Commitments under construction contracts at June 30, 2006, are summarized as follows:

|                           | <u>Remaining<br/>Commitment</u> | <u>Required<br/>Future<br/>Financing</u> |
|---------------------------|---------------------------------|--|
| Caledonia Elementary      | \$ 511,391                      | \$ -                                     |
| Caledonia Middle          | 487,514                         | -  |
| Caledonia High School     | 680,264                         | -  |
| New Hope Middle           | 305,260                         | -  |
| New Hope Middle Cafeteria | 258,197                         | -  |
| New Hope High School      | 826,131                         | -  |
| West Lowndes Elementary   | <u>411,956</u>                  | <u>-</u>                                 |
|                           | <u>\$ 3,480,713</u>             | <u>\$ -</u>                              |

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 6 - LONG-TERM LIABILITIES**

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

|   | Balance<br>7-01-05   | Additions           | Reductions          | Adjustments | Balance<br>6-30-06   | Amounts<br>Due Within<br>One Year |
|---|----------------------|---------------------|---------------------|-------------|----------------------|-----------------------------------|
| A. General obligation bonds payable         | \$ 1,745,000         | \$ -                | \$ 635,000          | \$ -        | \$ 1,110,000         | \$ 655,000                        |
| B. Limited obligation bonds payable         | 6,310,000            | -                   | 505,000             | -           | 5,805,000            | 530,000                           |
| C. Three mill notes payable                 | 2,415,000            | 6,000,000           | 315,000             | -           | 8,100,000            | 375,000                           |
| D. Transportation equipment notes payable   | 350,000              | -                   | 350,000             | -           | -                    | -                                 |
| E. Obligation under energy efficiency lease | 334,216              | -                   | 77,427              | -           | 256,789              | 77,427                            |
| F. Compensated absences payable             | 329,341              | 26,665              | -                   | -           | 356,006              | -                                 |
| <b>Total</b>                                | <b>\$ 11,483,557</b> | <b>\$ 6,026,665</b> | <b>\$ 1,882,427</b> | <b>\$ -</b> | <b>\$ 15,627,795</b> | <b>\$ 1,637,427</b>               |

**A. General Obligation Bonds Payable**

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

| Description   | Interest<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued | Amount<br>Outstanding |
|---|------------------|---------------|------------------|------------------|-----------------------|
| General obligation bonds,<br>COP Refunding -<br>Series 2001 | 3.3% - 4.3%      | 7/1/01        | 1/1/11           | \$ 3,965,000     | \$ 1,110,000          |

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

| Year Ending<br>June 30, | Principal           | Interest         | Total               |
|-------------------------|---------------------|------------------|---------------------|
| 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                    | 110,000             | 4,730            | 114,730             |
| <b>Total</b>            | <b>\$ 1,110,000</b> | <b>\$ 95,603</b> | <b>\$ 1,205,603</b> |

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)**A. General Obligation Bonds Payable** (Continued)

The amount of bond indebtedness that can be incurred by the 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, 2006, the amount of outstanding bonded indebtedness was equal to .5% of property assessments as of October 1, 2005. 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 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>\$ 5,805,000</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>        |
|----------------------------|---------------------|---------------------|---------------------|
| 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                       | 640,000             | 147,200             | 787,200             |
| 2012 - 2015                | <u>2,880,000</u>    | <u>272,550</u>      | <u>3,152,550</u>    |
| Total                      | <u>\$ 5,805,000</u> | <u>\$ 1,276,210</u> | <u>\$ 7,081,210</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.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)**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%          | 09/01/01          | 09/01/11             | \$ 3,500,000         | \$ 2,100,000              |
| Three mill notes payable | 4.15%                | 12/15/05          | 09/01/21             | <u>6,000,000</u>     | <u>6,000,000</u>          |
|                          |                      |                   |                      | <u>\$ 9,500,000</u>  | <u>\$ 8,100,000</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>        |
|-----------------------------|---------------------|--------------------|---------------------|
| 2007                        | \$ 375,000          | \$ 376,098         | \$ 751,098          |
| 2008                        | 370,000             | 308,917            | 678,917             |
| 2009                        | 375,000             | 294,326            | 669,326             |
| 2010                        | 400,000             | 279,120            | 679,120             |
| 2011                        | 405,000             | 263,304            | 668,304             |
| 2012 - 2021                 | <u>6,175,000</u>    | <u>1,417,080</u>   | <u>7,592,080</u>    |
| Total                       | <u>\$ 8,100,000</u> | <u>\$2,938,845</u> | <u>\$11,038,845</u> |

This debt will be retired from the debt service fund.

**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>\$ -</u>               |

This debt was retired from debt service funds.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)**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>      |
|-----------------------------|-------------------|------------------|-------------------|
| 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>\$ 256,789</u> | <u>\$ 26,627</u> | <u>\$ 283,416</u> |

An energy efficiency lease agreement dated August 26, 1998, was executed by and between the 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 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.

**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 7 - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The 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.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

**NOTE 7 - DEFINED BENEFIT PENSION PLAN** (Continued)

*Funding Policy.* PERS members are required to contribute 7.25% of their annual covered salary and the 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 District's contributions to PERS for the fiscal years ended June 30, 2006, 2005 and 2004, were \$2,246,719, \$1,945,582 and \$1,820,314, respectively, which equaled the required contributions for each year.

**NOTE 8 - OTHER COMMITMENTS**

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amounted to \$92,602.

*Operating Leases:*

The District has several operating leases for copying equipment. Lease expenditures for the year ended June 30, 2006, amounted to \$50,033. Future lease payments for these leases are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>    |
|-----------------------------|------------------|
| 2007                        | \$ 37,201        |
| 2008                        | 24,539           |
| 2009                        | <u>10,502</u>    |
| Total                       | <u>\$ 72,242</u> |

The District has a service agreement for an energy efficiency lease. Service expenditures for the year ended June 30, 2006, amounted to \$45,992. Future service payments for the service agreement are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u>    |
|-----------------------------|------------------|
| 2007                        | \$ 47,380        |
| 2008                        | <u>48,800</u>    |
| Total                       | <u>\$ 96,180</u> |

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE 9 - SIXTEENTH SECTION LANDS**

Sixteenth Section School Lands, or lands granted in-lieu thereof, constitute property held in trust for the benefit of the public schools. The School Board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the School Board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the Board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the 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>       |
|----------------------------|---------------------|
| 2007                       | \$ 100,270          |
| 2008                       | 96,853              |
| 2009                       | 93,733              |
| 2010                       | 91,349              |
| 2011                       | 83,199              |
| 2012 - 2016                | 404,323             |
| 2017 - 2021                | 402,990             |
| 2022 - 2026                | 402,390             |
| 2027 - 2031                | 394,792             |
| 2032 - 2036                | 356,106             |
| 2037 - 2041                | 183,229             |
| 2042 - 2046                | 58,947              |
| 2047 - 2051                | 8,624               |
| 2052 - 2056                | 8,266               |
| 2057 - 2061                | 7,991               |
| 2062 - 2066                | 7,202               |
| 2067 - 2071                | 5,790               |
| 2072 - 2076                | <u>355</u>          |
| Total                      | <u>\$ 2,706,409</u> |

**NOTE 10 - RISK MANAGEMENT**

The 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.

**LOWNDES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

***NOTE 11- PRIOR YEAR DEFEASANCE OF DEBT***

In prior years, the District defeased certain general and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide 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, 2006, \$695,000 of bonds outstanding were defeased.

**LOWNDES COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

## LOWNDES COUNTY SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2006

|  | Budgeted Amounts    |                     | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|---------------------|---------------------|------------------------|----------------------------------|--------------------|
|  | Original            | Final               |                        | Original<br>to Final             | Final<br>to Actual |
|  |                     |                     |                        |                                  |                    |
| <b>REVENUES</b>                                      |                     |                     |                        |                                  |                    |
| Local sources  | \$ 11,014,107       | \$ 11,416,490       | \$ 11,416,490          | \$ 402,383                       | \$ -               |
| State sources  | 21,052,625          | 21,400,708          | 21,400,708             | 348,083                          | -                  |
| Federal sources                                      | 375,738             | 314,876             | 314,876                | (60,862)                         | -                  |
| Total Revenues                                       | <u>32,442,470</u>   | <u>33,132,074</u>   | <u>33,132,074</u>      | <u>689,604</u>                   | <u>-</u>           |
| <b>EXPENDITURES</b>                                  |                     |                     |                        |                                  |                    |
| Instruction  | 19,292,251          | 18,952,963          | 18,822,962             | 339,288                          | 130,001            |
| Support services                                     | 10,112,365          | 10,106,851          | 10,105,558             | 5,514                            | 1,293              |
| Noninstructional services                            | 5,459               | 1,874               | 1,874                  | 3,585                            | -                  |
| Total Expenditures                                   | <u>29,410,075</u>   | <u>29,061,688</u>   | <u>28,930,394</u>      | <u>348,387</u>                   | <u>131,294</u>     |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 3,032,395           | 4,070,386           | 4,201,680              | 1,037,991                        | 131,294            |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                     |                        |                                  |                    |
| Insurance loss recoveries                            | -                   | 6,442               | 6,442                  | 6,442                            | -                  |
| Sale of other property                               | -                   | 3,200               | 3,200                  | 3,200                            | -                  |
| Operating transfers in                               | 2,994,307           | 3,216,645           | 3,216,645              | 222,338                          | -                  |
| Operating transfers out                              | (5,429,101)         | (5,534,907)         | (5,034,907)            | (105,806)                        | 500,000            |
| Other financing uses                                 | -                   | (35,538)            | (35,539)               | (35,538)                         | (1)                |
| Total Other Financing Sources (Uses)                 | <u>(2,434,794)</u>  | <u>(2,344,158)</u>  | <u>(1,844,159)</u>     | <u>90,636</u>                    | <u>499,999</u>     |
| Net Change in Fund Balance                           | <u>597,601</u>      | <u>1,726,228</u>    | <u>2,357,521</u>       | <u>1,128,627</u>                 | <u>631,293</u>     |
| Fund Balance:  |                     |                     |                        |                                  |                    |
| July 1, 2005   | 4,389,636           | 4,389,636           | 4,371,926              | -                                | (17,710)           |
| Prior period adjustments                             | -                   | 1,293               | -                      | 1,293                            | (1,293)            |
| July 1, 2005, as restated                            | <u>4,389,636</u>    | <u>4,390,929</u>    | <u>4,371,926</u>       | <u>1,293</u>                     | <u>(19,003)</u>    |
| June 30, 2006  | <u>\$ 4,987,237</u> | <u>\$ 6,117,157</u> | <u>\$ 6,729,447</u>    | <u>\$ 1,129,920</u>              | <u>\$ 612,290</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, 2006

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 Board and filed with the taxing authority. Amendments can be made on the approval of the Board. By statute, final budget revisions must be approved on or before October 15. 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**

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u> | <u>CFDA<br/>No.</u> | <u>Federal<br/>Expenditures</u> |
|---|---------------------|---------------------------------|
| <b><i>U. S. Department of Agriculture</i></b>                 |                     |                                 |
| Passed-Through Mississippi Department<br>of Education:        |                     |                                 |
| Non-cash assistance:  |                     |                                 |
| Food donation   | 10.550              | \$ 121,988                      |
| Child nutrition cluster:                                      |                     |                                 |
| School breakfast program                                      | 10.553              | 58,293                          |
| National school lunch program                                 | 10.555              | <u>1,216,807</u>                |
| Total   |                     | <u>1,275,100</u>                |
| Total U. S. Department of Agriculture                         |                     | <u>1,397,088</u>                |
| <b><i>U. S. Department of Education</i></b>                   |                     |                                 |
| Passed-Through Mississippi Department of Education:           |                     |                                 |
| Title I - grants to local educational agencies                | 84.010              | 1,107,655                       |
| Vocational education - basic grants to states                 | 84.048              | 62,103                          |
| Safe and drug-free schools and communities - state grants     | 84.186              | 54,037                          |
| Education for homeless children and youth                     | 84.196              | 18,528                          |
| State grants for innovative program                           | 84.298              | 14,475                          |
| Educational technology state grants                           | 84.318              | 33,699                          |
| Improving teacher quality - state grants                      | 84.367              | 399,909                         |
| Grants for state assessments and related activities           | 84.369              | 33,094                          |
| Hurricane Education Recovery                                  | 84.938              | 260,510                         |
| Total   |                     | <u>1,984,010</u>                |
| Special Education Cluster:                                    |                     |                                 |
| Special education - grants to states                          | 84.027              | 740,923                         |
| Special education - preschool grants                          | 84.173              | <u>29,531</u>                   |
| Total   |                     | <u>770,454</u>                  |
| Total Passed-Through Mississippi Department of Education      |                     | <u>2,884,464</u>                |
| Total U. S. Department of Education                           |                     | <u>2,754,464</u>                |

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

(Continued)

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u>         | <u>CFDA<br/>No.</u> | <u>Federal<br/>Expenditures</u> |
|---|---------------------|---------------------------------|
| <b><i>U. S. Department of Defense</i></b>                             |                     |                                 |
| Direct Program:   |                     |                                 |
| Reserve Officers' Training Corps                                      | 12.XXX              | \$ <u>44,489</u>                |
| Total U. S. Department of Defense                                     |                     | <u>44,489</u>                   |
| <b><i>Federal Communications Commission</i></b>                       |                     |                                 |
| Administered through the Universal Service<br>Administrative Company: |                     |                                 |
| The schools and libraries program of the<br>universal service fund    | 32.XXX              | <u>38,809</u>                   |
| Total Federal Communications Commission                               |                     | <u>39,809</u>                   |
| Total for all Federal Awards  |                     | <u>\$ 4,234,850</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 District.

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

**FOR THE YEAR ENDED JUNE 30, 2006**

| <u>Expenditures</u>          | <u>Total</u>         | <u>Instruction<br/>and Other<br/>Student<br/>Instructional<br/>Expenditures</u> | <u>General<br/>Administra-<br/>tion</u> | <u>School<br/>Administra-<br/>tion</u> | <u>Other</u>         |
|------------------------------|----------------------|---|---|--|----------------------|
| Salaries and fringe benefits | \$ 28,135,588        | \$ 22,162,127   | \$ 644,677                              | \$ 2,028,137                           | \$ 3,300,647         |
| Other                        | <u>14,202,388</u>    | <u>2,987,277</u>  | <u>409,034</u>                          | <u>17,256</u>                          | <u>10,788,821</u>    |
|                              | <u>\$ 42,337,976</u> | <u>\$ 25,149,404</u>  | <u>\$ 1,053,711</u>                     | <u>\$ 2,034,393</u>                    | <u>\$ 14,089,468</u> |
| <br>Total number of students | <br><u>5,374</u>     |   |   |  |                      |
| <br>Cost per student         | <br><u>\$ 7,878</u>  | <u>\$ 4,680</u>   | <u>\$ 196</u>                           | <u>\$ 381</u>                          | <u>\$ 2,622</u>      |

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

**Instruction and Other Student Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers' aides or classroom assistants of any type (all the 1000, 2100, and 2200 functional codes).

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

**School Administration** - includes all expenditure functions not included in Instruction or Administration Categories

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

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## **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, 2006, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated November 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We did not note any matters involving internal control over financial reporting and its operation that we considered to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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 District in a separate letter dated November, 17, 2006, 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. Satt Company*

Columbus, Mississippi  
November 17, 2006

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**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



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**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, 2006. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 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 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, 2006.

*Internal Control Over Compliance*

The management of the 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 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 considered 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. Gott Company*

Columbus, Mississippi  
November 17, 2006

**LOWNDES COUNTY SCHOOL DISTRICT**

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

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

Superintendent and School Board  
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2006, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated November 17, 2006. 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 \$1,072 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:**

The District has eleven Sixteenth section leases past due more than 60 days totaling \$5,243, which were not terminated. The Board did not document the extenuating circumstances for not terminating the leases.

**Recommendation:**

Sixteenth section leases past due 60 days should be terminated or the Board should document the extenuating circumstances if not terminating as required by Section 29-3-57.

**Response:**

Starting June 20, 2007, the Sixteen Section manager will notify the lease holder of lease being past due by the following schedule:

- 15 days overdue-phone call and letter of notification
- 30 days overdue-phone call and a certified letter (return/receipt request)
- 45 days overdue-phone call and a letter of notification
- 60 days overdue-phone call and a certified letter of notification of termination of lease with information to appear before the board for extenuating circumstances

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. Jett Company*

Columbus, Mississippi  
November 17, 2006

**LOWNDES COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2006

**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 weaknesses identified?   | No          |
| b. Reportable conditions identified that are not considered to be material weakness? | No          |

*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, 2006

**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? No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2006

**Section 2: Financial Statement Findings**

***Reportable Conditions***

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

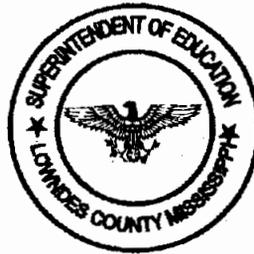
**FOR THE YEAR ENDED JUNE 30, 2006**

**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 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, 2005:

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

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

#### 2006-1 Finding for General Activity Fund Receipts

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. The Superintendent informed all schools that they must follow processes provided to them in July 2003. However, under centralized activity funds, purchase requisitions are approved before payment is issued and checks are issued through the regular accounts payable department.

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

Sincerely,

Michael L. Halford  
Superintendent