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LUMBERTON PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2006

LUMBERTON PUBLIC SCHOOL DISTRICT
LUMBERTON, MISSISSIPPI

BOARD OF TRUSTEES

John W. Atwood
Mike Hurt
Craig Ledet
Julia Knue
Earl Winston

SUPERINTENDENT

John G. Ladner, Ed. D.

Business Manager

Jana H. Grenn

LUMBERTON PUBLIC SCHOOL DISTRICT

Table of Contents

FINANCIAL AUDIT REPORT

Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	5
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MANAGEMENT'S DISCUSSION AND ANALYSIS	7
--------------------------------------	---

FINANCIAL STATEMENTS

EXHIBIT A: Statement of Net Assets	19
EXHIBIT B: Statement of Activities	20
EXHIBIT C: Balance Sheet – Governmental Funds	21
EXHIBIT C-1: Reconciliation of Governmental Funds to the Statement of Net Assets	22
EXHIBIT D: Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
EXHIBIT D-1: Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	24
EXHIBIT E: Statement of Net Assets – Fiduciary Funds	25

NOTES TO THE FINANCIAL STATEMENTS	27
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A: Budgetary Comparison Schedule for the General Fund	43
Schedule 1B: Budgetary Comparison Schedule for the Displaced Student Grant Fund	44
Schedule 1C: Budgetary Comparison Schedule for the Sixteenth Section Interest Fund	45
Notes to the Required Supplementary Information	46

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards	48
Schedule of Instructional Expenses	49

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditors' Report on Internal Control over Financial Reporting And Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u>	51
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LUMBERTON PUBLIC SCHOOL DISTRICT

Table of Contents (continued)

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	54
Independent Auditors' Report on Compliance with State Laws and Regulations	57
Schedule of Findings and Questioned Costs	58
AUDITEE'S REPORTS	
Auditee's Corrective Action Plan	61
Auditee's Summary Schedule of Prior Audit Findings	63

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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Lumberton Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public School District as of and for the year ended June 30, 2006, which collectively comprise the Lumberton Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lumberton Public School District's management. Our responsibility is to express an opinion 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public School District as of June 30, 2006, and the changes in respective financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2007 on our consideration of the Lumberton Public 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 8 through 17 and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Lumberton Public School District's basic financial statements. The accompanying 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 and is not a required part of the basic financial statements. 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.

King CPA, PLLC

King CPA, PLLC
Petal, Mississippi
January 26, 2007

LUMBERTON PUBLIC SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the Lumberton Public 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 financial statements and the notes to the basic 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.

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$409,655, which represents a 6% increase from fiscal year 2005. This increase in net assets is primarily due to the following: 1) capital outlays of \$379,319 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal in the amount of \$128,430 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues account for \$6,145,287 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,961,287, or 24% of total revenues.
- The District had \$7,717,312 in expenses; only \$1,961,287 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,145,287 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,277,648 in revenues and \$5,943,447 in expenditures. The General Fund's fund balance decreased \$257,510 from the previous fiscal year. This decrease is due primarily to expenditures incurred for the repair of school facilities as a result of damages caused by Hurricane Katrina.
- Capital assets, net of accumulated depreciation, increased by \$227,917.
- Long-term debt decreased by \$130,046.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or 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 and other expenses on long-term liabilities.

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

Governmental funds. 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

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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.

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

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in this report.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT 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 government's financial position. In the case of the District, assets exceeded liabilities by \$6,743,349 as of June 30, 2006.

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,041,227 of the District's net assets (30%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), 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. \$4,293,103 of the District's net assets (64%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$409,019 of the District's net assets (6%) reflects its unrestricted net assets.

The District's financial position is a product of several financial transactions including the net result of activities, the 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 year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	Net Assets		Percentage
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current assets	\$ 5,019,663	\$ 4,556,654	10.2 %
Other assets	536,950	420,749	27.6 %
Capital assets, net	<u>4,328,239</u>	<u>4,100,322</u>	5.6 %
Total assets	<u>9,884,852</u>	<u>9,077,725</u>	8.9 %
Current liabilities	833,982	306,464	172.1 %
Long-term debt outstanding	<u>2,307,521</u>	<u>2,437,567</u>	(5.3) %
Total liabilities	<u>3,141,503</u>	<u>2,744,031</u>	14.5 %
Net assets:			
Invested in capital assets, net of related debt	2,041,227	1,684,880	21.1 %
Restricted	4,293,103	3,983,901	7.8 %
Unrestricted	<u>409,019</u>	<u>664,913</u>	(38.5) %
Total net assets	<u>\$ 6,743,349</u>	<u>6,333,694</u>	6.5 %

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments. At fiscal year end, the District reported receivables due from federal sources related to the Displaced Students Grant, Displaced Students – SPED Grant, Restart School Grant and FEMA/MEMA Disaster Relief Grant, all of which were a result of Hurricane Katrina.
- Other assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents in the 16th Section Principal Fund. Cash and cash equivalents in the 16th Section Principal Fund and Investments in the MAEP Retirement Fund are reported as Restricted Assets (Other Assets) on the Statement of Net Assets.
- Current liabilities increased from the previous fiscal year due primarily to an increase in accounts payable and accrued liabilities.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the reduction of long-term debt related to the capital assets.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in fund balance of the General Fund related primarily to expenditures incurred during the fiscal year to repair school facilities resulting from damages caused by Hurricane Katrina.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$8,106,574. The total cost of all programs and services was \$7,717,312. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 187,214	\$ 193,785	(3.4) %
Operating grants and contributions	1,774,073	1,145,096	54.9 %
General revenues:			
Property taxes	1,297,018	1,260,088	2.9 %
Grants and contributions not restricted	3,954,211	3,794,890	4.2 %
Other	<u>894,058</u>	<u>228,137</u>	291.9 %
Total revenues	<u>8,106,574</u>	<u>6,621,996</u>	22.4 %

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

Expenses:			
Instruction	3,681,919	3,159,531	16.5 %
Support services	3,394,622	1,858,843	82.6 %
Non-instructional	515,279	492,317	4.7 %
Sixteenth section	15,212	5,303	186.9 %
Interest and other expenses on long-term liabilities	<u>110,280</u>	<u>114,928</u>	(4.0) %
Total expenses	<u>7,717,312</u>	<u>5,630,922</u>	37.0 %
Increase (Decrease) in net assets	389,262	991,074	(60.7) %
Net Assets, July 1	6,333,694	5,340,972	18.6 %
Prior Period Adjustments	<u>20,393</u>	<u>1,648</u>	1137.4 %
Net Assets, Restated, July 1	<u>6,354,087</u>	<u>5,342,620</u>	18.9 %
Net Assets, June 30	<u>\$6,743,349</u>	<u>\$ 6,333,694</u>	6.5 %

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions. As a result of Hurricane Katrina, the District received approximately \$330,000 in Displaced Students Grant funds and Restart School Grant funds. The District also received \$59,500 in FEMA/MEMA Disaster Relief funds.
- General revenues increased from the previous fiscal year due primarily to \$500,000 in insurance loss recoveries received during the fiscal year as a result of damages caused by Hurricane Katrina.
- Instruction expenses increased from the previous fiscal year due primarily to the 8% increase in teacher salaries.
- Support services expenses increased from the previous fiscal year due primarily to repairs to school facilities resulting from damages caused by Hurricane Katrina and the 8% increase in teacher salaries.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses 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

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 3,681,919	\$ (2,540,572)	\$ 3,159,531	\$ (2,530,737)
Support services	3,394,622	(3,049,715)	1,858,843	(1,568,880)
Non-instructional	515,279	(40,246)	492,317	(72,193)
Sixteenth section	15,212	(15,212)	5,303	(5,303)
Interest and other expenses on long-term liabilities	110,280	(110,280)	114,928	(114,928)
Total expenses	<u>\$ 7,717,312</u>	<u>\$ (5,756,025)</u>	<u>\$ 5,630,922</u>	<u>\$ (4,292,041)</u>

- The net cost of governmental activities for fiscal year 2006 in the amount of \$5,756,025 was financed by general revenue, which is made up of primarily property taxes of \$1,297,018 and state revenue of \$3,940,320.
- Investment earnings accounted for \$138,251 of funding.

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 fiscal year June 30, 2006, its governmental funds reported a combined fund balance of \$4,757,999. The net change in fund balance for the fiscal year was an increase of \$44,304. \$3,947,396, or 83%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from other governmental funds and will be used for the acquisition, renovation and/or construction of school facilities. The remaining fund balance of \$810,603, or 17%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$257,510 due primarily to expenditures incurred for the repair of school facilities resulting from damages caused by Hurricane Katrina. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$123,326 due to revenue generated from earnings on investments and sixteenth section leases. The net change in fund balance for the Lumberton Building Fund for the fiscal year was an increase of \$42,493 due to interest earned during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$135,995 due to the excess of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. The District received approximately \$330,000 of federal funds under the Displaced Students Grant and Restart School Grant. The District was allowed to reclassify a portion of instruction expenditures from the General Fund to the Displaced Students Grant Funds and Restart School Grant Fund in order to reimburse the District for salary related expenditures incurred. Therefore, budgeted amounts in the General Fund were decreased to reflect the reclassification of these expenditures.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were increased during the fiscal year. Budget revisions related to expenditures incurred for the repair of school facilities resulting from damages caused by Hurricane Katrina were made at the facilities acquisition and construction function level. However, the non-capitalized portion of the expenditures were reclassified during the audit to support services expenditures.
- Budgeted amounts for insurance loss recoveries in the General Fund were increased to reflect the recoveries received during the fiscal year as a result of damages caused by Hurricane Katrina.
- Budgeted amounts for revenue from federal sources and instruction expenditures in the Displaced Students Grant Fund were increased during the fiscal year. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

- Budgeted amounts for revenue from sixteenth section sources in the 16th Section Interest Fund were increased to reflect actual revenue generated from earnings on investments and sixteenth section leases.

Explanations of material variances between the final amended budget and actual (GAAP basis) expenditures during the fiscal year are as follows:

- Non-capitalized expenditures incurred in the General Fund during the fiscal year for the repair of school facilities resulting from damages caused by Hurricane Katrina were reclassified from facilities acquisition and construction expenditures to support services expenditures on the audited governmental fund financial statements. Therefore, the final amended budget amounts differ from the actual (GAAP basis) amounts for these expenditure functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets, before depreciation, were \$6,199,126, including land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$403,850 from the previous year. During the fiscal year, the District made improvements and purchased various items of furniture and equipment. The District also disposed of one school bus. Adjustments were also needed to add the cost and accumulated depreciation of a school bus and risograph that were purchased in a previous fiscal year. Total depreciation expense for the year was \$169,055. Total accumulated depreciation as of June 30, 2006 was \$1,870,887, resulting in total net capital assets of \$4,328,239.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 53,382	\$ 53,382	0.0 %
Buildings	3,253,389	3,333,012	(2.4) %
Improvements other than buildings	546,304	214,664	154.5 %
Mobile equipment	133,117	153,800	(13.4) %
Furniture and equipment	98,308	94,035	4.5 %
Leased property under capital leases	<u>243,739</u>	<u>251,429</u>	(3.1) %
Total	<u>\$4,328,239</u>	<u>\$ 4,100,322</u>	5.6 %

Debt Administration. At June 30, 2006, the District had \$2,307,521 in limited obligation bonds and other long-term debt outstanding, of which \$127,723 is due within one year. During the fiscal year, the District made principal payments in the amount of \$128,430 on existing long-term debt.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Limited obligation bonds payable	\$ 1,325,000	\$ 1,395,000	(5.0) %
Three mill notes payable	915,000	945,000	(3.2) %
Obligations under capital leases	47,012	75,442	(37.7) %
Compensated absences payable	<u>20,509</u>	<u>22,125</u>	(7.3) %
Total	<u>\$ 2,307,521</u>	<u>\$ 2,437,567</u>	(5.3) %

CURRENT ISSUES

The Lumberton Public 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 rate has not increased or decreased significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Lumberton Public School District, P. O. Box 551, Lumberton, MS 39455.

LUMBERTON PUBLIC SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Exhibit A

ASSETS

Cash and Cash Equivalents	\$	4,360,986
Due from other governments		644,440
Inventories		14,237
Restricted Assets		536,950
Capital Assets, not being depreciated		
Land		53,382
Capital Assets, net of accumulated depreciation		
Buildings		3,253,389
Building improvements		546,304
Mobile equipment		133,117
Furniture and equipment		98,308
Leased property under capital leases		243,739
Total Assets	\$	<u>9,884,852</u>

LIABILITIES

Accounts payable and accrued liabilities	\$	794,114
Due to other governments		4,500
Interest Payable on Long Term Debt		35,368
Long Term Liabilities (due with one year)		
Capital Related liabilities		127,723
Non-capital liabilities		2,051
Long Term Liabilities (due beyond one year)		
Capital Related liabilities		2,159,289
Non-capital liabilities		18,458
Total Liabilities		<u>3,141,503</u>

NET ASSETS

Invested in capital assets, net of related debt		2,041,227
Restricted Net Assets		
Expendable:		
School Based Activities		1,818,437
Debt Service		153,478
Capital Improvements		1,713,668
Forestry Improvements		101,987
Unemployment Benefits		11,568
Non-Expendable:		
Sixteenth Section		493,965
Unrestricted		409,019
Total Net Assets		<u>6,743,349</u>
Total Liabilities and Net Assets	\$	<u>9,884,852</u>

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental Activities:					
Instruction	\$ 3,681,919	\$ 126,576	\$ 1,014,771	\$ -	\$ (2,540,572)
Support Services	3,394,622	-	344,907	-	(3,049,715)
Noninstructional services	515,279	60,638	414,395	-	(40,246)
Sixteenth section	15,212	-	-	-	(15,212)
Interest and other expenses on long-term liabilities	110,280	-	-	-	(110,280)
Total Governmental Activities	7,717,312	187,214	1,774,073	-	(5,758,025)
General Revenues:					
Taxes:					
Property taxes - general purposes					1,225,321
Property taxes - debt service					71,687
Unrestricted grants and contributions					
State					3,940,320
Federal					13,891
Unrestricted investment earnings					138,251
Sixteenth Section sources					204,096
Other					551,711
Total General Revenues					6,145,287
Change in Net Assets					389,262
Net Assets - Beginning					6,333,694
Prior Period Adjustments					20,393
Net Assets - Restated					6,354,087
Net Assets - Ending					\$ 6,743,349

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
BALANCE SHEET – GOVERNEMENTAL FUNDS
JUNE 30, 2006**

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Displaced Students Grant Fund	16th Section Interest Fund	Lumberton Building Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents	\$ 640,637	\$ -	\$ 1,267,944	\$ 1,687,649	\$ 1,258,721	\$ 4,854,951
Investments	-	-	-	-	42,985	42,985
Due from other governments	65,035	204,815	3,400	-	310,444	583,694
Due from other funds	442,178	-	-	-	28,333	470,511
Inventories	-	-	-	-	14,237	14,237
Total assets	1,147,850	204,815	1,271,344	1,687,649	1,654,720	5,966,378
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	682,140	-	-	-	111,974	794,114
Due to other funds	36,182	204,815	-	-	173,268	414,265
Total liabilities	718,322	204,815	-	-	285,242	1,208,379
Fund balances:						
Reserved for:						
Inventory	-	-	-	-	14,237	14,237
Unemployment benefits	-	-	-	-	11,568	11,568
Forestry improvements	-	-	-	-	101,987	101,987
Debt service purposes	-	-	-	-	188,846	188,846
Permanent fund purposes	-	-	-	-	493,965	493,965
Unreserved, undesignated, reported in:						
General fund	429,528	-	-	-	-	429,528
Special revenue funds	-	-	1,271,344	-	532,856	1,804,200
Capital project funds	-	-	-	1,687,649	26,019	1,713,668
Total fund balances	429,528	-	1,271,344	1,687,649	1,369,478	4,757,999
Total liabilities & fund balances	\$ 1,147,850	\$ 204,815	\$ 1,271,344	\$ 1,687,649	\$ 1,654,720	\$ 5,966,378

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2006**

EXHIBIT C-1

	<u>Amounts</u>
Total fund balance - governmental funds	\$ 4,757,999
 Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	6,199,126
Less Accumulated Depreciation	(1,870,887)
	4,328,239
 Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long - term liabilities	(2,307,521)
Accrued interest on debt	(35,368)
	(2,342,889)
 Total Net Assets	\$ 6,743,349

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT D

	Major Funds					Total Governmental Funds
	General Fund	Displaced Students Grant Fund	16th Section Interest Fund	Lumberton Building Fund	Other Governmental Funds	
REVENUES						
Local sources	\$ 1,422,694	\$ -	\$ -	\$ 42,493	\$ 161,814	\$ 1,627,001
State sources	3,841,063	-	-	-	260,539	4,101,602
Federal sources	13,891	204,815	-	-	1,407,976	1,626,682
Sixteenth section sources	-	-	135,999	-	115,290	251,289
Total revenues	<u>5,277,648</u>	<u>204,815</u>	<u>135,999</u>	<u>42,493</u>	<u>1,945,619</u>	<u>7,606,574</u>
EXPENDITURES						
Instruction	2,488,739	204,815	-	-	876,975	3,570,529
Support services	3,061,869	-	-	-	318,118	3,379,987
Noninstructional services	3,113	-	-	-	494,451	497,564
Sixteenth section	-	-	12,673	-	2,539	15,212
Facilities acquisition and construction	357,281	-	-	-	-	357,281
Debt Service:						
Principal	28,430	-	-	-	100,000	128,430
Interest	4,015	-	-	-	104,627	108,642
Other	-	-	-	-	4,625	4,625
Total expenditures	<u>5,943,447</u>	<u>204,815</u>	<u>12,673</u>	<u>-</u>	<u>1,901,335</u>	<u>8,062,270</u>
Excess (deficiency) of revenues over expenditures	<u>(665,799)</u>	<u>-</u>	<u>123,326</u>	<u>42,493</u>	<u>44,284</u>	<u>(455,696)</u>
OTHER FINANCING SOURCES (USES)						
Insurance loss recoveries	500,000	-	-	-	-	500,000
Transfers in	522,913	-	-	-	92,948	615,861
Transfers out	(614,624)	-	-	-	(1,237)	(615,861)
Total other financing sources and uses	<u>408,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,711</u>	<u>500,000</u>
Net change in fund balances	<u>(257,510)</u>	<u>-</u>	<u>123,326</u>	<u>42,493</u>	<u>135,995</u>	<u>44,304</u>
Fund balances:						
July 1, 2005	<u>687,038</u>	<u>-</u>	<u>1,148,018</u>	<u>1,645,156</u>	<u>1,229,082</u>	<u>4,709,294</u>
Increase (decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,401</u>	<u>4,401</u>
June 30, 2006	<u>\$ 429,528</u>	<u>\$ -</u>	<u>\$ 1,271,344</u>	<u>\$ 1,687,649</u>	<u>\$ 1,369,478</u>	<u>\$ 4,757,999</u>

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

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

EXHIBIT D-1

	Amounts
Net change in fund balances	\$ 44,304
 Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets. (+)	379,319
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (-)	(169,055)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets (-)	(2,740)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	128,430
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences Decreases	1,616
Accrued interest on debt Decreases	2,987
An increase (+) / decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	4,401
Change in net assets of governmental activities	\$ 389,262

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 61,350
Due from other funds	<u>4,500</u>
Total Assets	<u><u>65,850</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	5,104
Due to other funds	<u>60,746</u>
Total Liabilities	<u><u>\$ 65,850</u></u>

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

LUMBERTON PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Lumberton, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. 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 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 outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Displaced Students Grant Fund – This is a special revenue fund used to account for the school district's revenues earned and expenditures incurred through HERA federal grant monies for displaced students.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Sixteenth Section Interest Fund – This is a special revenue fund used to account for the school district’s earnings from sixteenth section property and investments. These funds may be used for purposes that support the school district.

Lumberton Building Fund – This fund is used to account for surplus funds transferred from the district maintenance fund and will be used for the renovation or construction of school facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements (Exhibit C)

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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 *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Governmental 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.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in the 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 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 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 basis).

The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reported 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.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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 basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current 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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in governmental activities column. See Note 6 for details.

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 loan receivables are reported as "due from other funds" and are considered available expendable resources.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them 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, constructions 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."

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Reserved for forestry improvements – An account that represents a portion of the fund balance that is legally restricted for improvements to sixteenth section forest lands.

Reserved for debt service – An account that represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

Reserved for permanent fund purpose – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Revenues from the adequate education program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the state of Mississippi.

O. Compensated Absences.

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

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

(2) Change in Accounting Principles

As required, the Lumberton Public School District has implemented Governmental 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 Statement requires governments to evaluate major events effecting 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.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,854,951 and \$61,350, respectively. The carrying amount of deposits reported in the government-wide statements as cash and cash equivalents is \$4,360,986 and restricted assets is \$536,950. The restricted assets represents the cash balance in the Sixteenth Section Principal funds (permanent funds) which is legally restricted and may not be used for purposes that support the district's programs and also includes investments in the MAEP debt service fund of \$42,985. The bank balance was \$5,201,875.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions 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 \$5,201,875 was exposed to custodial risk.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Investments

As of June 30, 2006, the district had the following investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
U S Treasury Bills \$ 42,985		\$ 42,985

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 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 442,178	\$ 36,182
Displaced Students	-	204,815
Other governmental funds	28,333	173,268
Fiduciary Funds	4,500	60,746
Total	<u>\$ 475,011</u>	<u>\$ 475,011</u>

The balances between funds result mainly from the time lag between the date the expenditures are incurred and the date the reimbursement is received from the funding source. The general fund finances these expenditures until the funds are reimbursed.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 522,913	\$ 614,624
Other governmental funds	92,948	1,237
Total	\$ 615,861	\$ 615,861

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(5) Capital Assets.

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

	Balance 7/1/2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 53,382					\$ 53,382
Total non-depreciable capital assets	\$ 53,382	\$ -	\$ -	\$ -	\$ -	\$ 53,382
<u>Depreciable capital assets:</u>						
Buildings	\$ 4,374,094					\$ 4,374,094
Improvements other than buildings	333,707	357,281				690,988
Mobile equipment	440,892		27,400		41,815	455,307
Furniture and equipment	287,940	22,038			10,116	320,094
Leased property under capital leases	305,261					305,261
Total depreciable capital assets	\$ 5,741,894	\$ 379,319	\$ 27,400	\$ -	\$ 51,931	\$ 6,145,744
<u>Less accumulated depreciation:</u>						
Buildings	\$ 1,041,082	\$ 79,623				\$ 1,120,705
Improvements other than buildings	119,043	25,641				144,684
Mobile equipment	287,092	29,651	24,660		30,107	322,190
Furniture and equipment	193,905	26,450			1,431	221,786
Leased property under capital leases	53,832	7,890				61,522
Total accumulated depreciation	\$ 1,694,954	\$ 169,055	\$ 24,660	\$ -	\$ 31,538	\$ 1,870,887
Total depreciable capital assets, net	\$ 4,046,940	\$ 210,264	\$ 2,740	\$ -	\$ 20,393	\$ 4,274,857
Governmental activities capital assets, net	\$ 4,100,322	\$ 210,264	\$ 2,740	\$ -	\$ 20,393	\$ 4,328,239

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 112,440
Support services	34,337
Non-instructional	<u>22,278</u>
 Total depreciation expense	 <u>\$ 169,055</u>

(6) Long-term liabilities.

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

<u>Description</u>	<u>Balance</u> <u>7/1/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/05</u>	<u>Amounts</u> <u>due within</u> <u>one year</u>
Limited obligation bonds payable	\$ 1,395,000	\$ -	\$ 70,000	\$ 1,325,000	\$ 75,000
Three mill notes payable	\$ 945,000	\$ -	\$ 30,000	\$ 915,000	\$ 30,000
Obligations under capital lease	\$ 75,442	\$ -	\$ 28,430	\$ 47,012	\$ 22,723
Compensated absences payable	\$ 22,125	\$ -	\$ 1,616	\$ 20,509	\$ -
TOTAL	<u>\$ 2,437,567</u>	<u>\$ -</u>	<u>\$ 130,046</u>	<u>\$ 2,307,521</u>	<u>\$ 127,723</u>

A. Limited obligation bonds payable.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7,

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital improvement bonds, series 1998	Varies	6/1/1998	2/1/2018	\$ 1,730,000	\$ 1,325,000
Total				<u>\$ 1,730,000</u>	<u>\$ 1,325,000</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	75,000	62,368	137,368
2008	80,000	58,505	138,505
2009	85,000	52,795	137,795
2010	85,000	48,885	133,885
2011	90,000	44,744	134,744
2012-2016	525,000	163,670	688,670
2017-2018	<u>385,000</u>	<u>26,444</u>	<u>411,444</u>
 Total	 <u>\$ 1,325,000</u>	 <u>\$ 457,411</u>	 <u>\$ 1,782,411</u>

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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 MAEP Fund (4043).

B. Three mill notes payable.

Debts 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>
Limited tax notes series 2003	Varies	5/1/2003	5/1/2023	\$ 1,000,000	\$ 915,000
Total				<u>\$ 1,000,000</u>	<u>\$ 915,000</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	30,000	37,123	67,123
2008	30,000	36,042	66,042
2009	35,000	34,924	69,924
2010	40,000	33,638	73,638
2011	45,000	32,138	77,138
2012-2016	255,000	128,613	383,613
2017-2021	325,000	55,210	380,210
2022-2023	155,000	10,068	165,068
Total	<u>\$ 915,000</u>	<u>\$ 367,756</u>	<u>\$ 1,282,756</u>

This debt will be retired from the Three Mill Notes Retirement Fund (4021).

C. Obligations under capital leases.

The school district has entered into two lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. HVAC equipment
2. Lighting equipment

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

The various options available to the lessee for these leases are as follows:

1. Under the HVAC equipment lease, lessee has the option to purchase not less than all of the property subject to the agreement, "as is" at the payment date, for the option to purchase values set forth in Exhibit B of the agreement.
2. Under the lighting equipment lease, at the request of the lessee, lessor's security interest in the equipment will be terminated and the agreement shall terminate:
 - a. At the end of the lease term (including renewal terms), upon payment in full rental payments and other amounts payable by lessee hereunder;
 - b. At the end of the original term or any renewal term upon payment by lessee of the then applicable purchase price; or
 - c. If the lease term is terminated pursuant to Article IX of the agreement.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	22,723	2,659	25,382
2008	<u>24,289</u>	<u>1,367</u>	<u>25,656</u>
 Total	 <u>\$ 47,012</u>	 <u>\$ 4,026</u>	 <u>\$ 51,038</u>

The debt will be retired from the District Maintenance Fund (1120).

D. 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 were paid.

(7) Defined Benefit Pension Plan.

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$343,008, \$310,221, and \$308,749 respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2007	10,359
2008	10,359
2009	10,359
2010	5,524
2011	5,524
2012-2016	17,690
2017-2021	6,000
2022-2027	6,000
Thereafter	8,750
Total	<u>\$ 80,565</u>

(9) Risk Management.

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Subsequent Event

On August 29, 2005 Hurricane Katrina passed through the State of Mississippi. Lumberton Public School District suffered significant damage to its property, buildings and equipment as a result of this hurricane. The estimated cost of the damage as of this report is approximately \$1,800,000. To date the district has been advanced \$500,000 from its insurance carrier and has received \$389,500 in HERA and FEMA funds. The district is currently in the process of filing claims with its insurance carrier and FEMA. The district expects its damages to be covered, however an estimate of the district's uncovered losses are not determinable at this time.

(11) Commitments

The district entered into a contract for building additions and renovation on June 13, 2006 in the amount of \$408,000.

LUMBERTON PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Lumberton Public School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 1,320,558	\$ 1,408,635	\$ 1,422,694	\$ 88,077	\$ 14,059
State sources	3,822,658	3,841,063	3,841,063	18,405	-
Federal sources	13,000	13,891	13,891	891	-
Total revenues	<u>5,156,216</u>	<u>5,263,589</u>	<u>5,277,648</u>	<u>107,373</u>	<u>14,059</u>
EXPENDITURES					
Instruction	2,757,795	2,488,742	2,488,739	269,053	3
Support services	1,876,940	1,604,988	3,061,869	271,952	(1,456,881)
Noninstructional services	6,125	3,113	3,113	3,012	-
Facilities acquisition and construction	-	1,387,483	357,281	(1,387,483)	1,030,202
Debt service:					
Principal	29,563	28,430	28,430	1,133	-
Interest	4,059	4,045	4,015	14	30
Total expenditures	<u>4,674,482</u>	<u>5,516,801</u>	<u>5,943,447</u>	<u>(842,319)</u>	<u>(426,646)</u>
Excess (deficiency) of revenues over expenditures	<u>481,734</u>	<u>(253,212)</u>	<u>(665,799)</u>	<u>(734,946)</u>	<u>(412,587)</u>
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	-	500,000	500,000	500,000	-
Transfers in	609,997	522,913	522,913	(87,084)	-
Transfers out	(916,389)	(614,625)	(614,624)	301,764	1
Total other financing sources and uses	<u>(306,392)</u>	<u>408,288</u>	<u>408,289</u>	<u>714,680</u>	<u>1</u>
Net change in fund balances	<u>175,342</u>	<u>155,076</u>	<u>(257,510)</u>	<u>(20,266)</u>	<u>(412,586)</u>
Fund balances:					
July 1, 2005		<u>687,038</u>	<u>687,038</u>		
June 30, 2006		<u>\$ 842,114</u>	<u>\$ 429,528</u>		

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

Lumberton Public School District
 Budgetary Comparison Schedule
 Displaced Students Grant Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ -	\$ 204,815	\$ 204,815	\$ 204,815	\$ -
Total revenues	-	204,815	204,815	204,815	-
EXPENDITURES					
Instruction	-	204,815	204,815	(204,815)	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Total expenditures	-	204,815	204,815	(204,815)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005			-		
June 30, 2006			\$ -		

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

Lumberton Public School District
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	\$ 41,650	\$ 135,999	\$ 135,999	\$ 94,349	\$ -
Total revenues	41,650	135,999	135,999	94,349	-
EXPENDITURES					
Sixteenth section	8,000	12,673	12,673	(4,673)	-
Total expenditures	8,000	12,673	12,673	(4,673)	-
Excess (deficiency) of revenues over expenditures	33,650	123,326	123,326	89,676	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	33,650	123,326	123,326	89,676	-
Fund balances:					
July 1, 2005			1,148,018		
June 30, 2006			\$ 1,271,344		

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

LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2006

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 revision

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

LUMBERTON PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

LUMBERTON PUBLIC SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic <u>Assistance Number</u>	Federal <u>Expenditures</u>
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 33,980
Child nutrition cluster		
School breakfast program	10.553	98,540
National school lunch program	10.555	250,354
Total child nutrition cluster		<u>348,894</u>
Schools and roads - grants to states	10.665	<u>13,891</u>
Total U.S. Department of Agriculture		<u>396,765</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	520,638
Safe and drug-free schools and communities - state grants	84.186	2,348
State grants for innovative programs	84.298	6,755
Education technology state grants	84.318	7,100
Rural education	84.358	13,885
Improving teacher quality - state grants	84.367	136,182
Total		<u>686,908</u>
Special education cluster:		
Special education - grants to states	84.027	164,870
Special education - preschool grants	84.173	7,104
Total		<u>171,974</u>
Hurricane Education Recovery	84.938	330,123
Total passed-through Mississippi Department of Education		<u>1,189,005</u>
Total U.S. Department of Education		<u>1,189,005</u>
<u>Department of Homeland Security</u>		
Administered through the FEMA / MEMA:		
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	59,500
Total Department of Homeland Security		<u>59,500</u>
Total for All Federal Awards		<u>\$ 1,645,270</u>

NOTES TO SCHEDULE

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

Lumberton Public School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 4,657,982	\$ 3,472,777	\$ 322,778	\$ 324,648	\$ 537,779
Other	<u>3,404,288</u>	<u>520,122</u>	<u>76,939</u>	<u>13,122</u>	<u>2,794,105</u>
Total	<u>\$ 8,062,270</u>	<u>\$ 3,992,899</u>	<u>\$ 399,717</u>	<u>\$ 337,770</u>	<u>\$ 3,331,884</u>
Total number of students *		786			
Cost per student		<u>\$ 10,257</u>	<u>\$ 5,080</u>	<u>\$ 509</u>	<u>\$ 430</u>
		<u>\$ 4,239</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. (a)

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

LUMBERTON PUBLIC SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Petal, MS 39465
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Mississippi Society of
Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

Superintendent and School Board
Lumberton Public School District

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we perform tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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.


King CPA, PLLC
Petal, Mississippi
January 26, 2007

LUMBERTON PUBLIC SCHOOL DISTRICT

**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**

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Mississippi Society of
Certified Public Accountants

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
Lumberton Public School District

Compliance

We have audited the compliance of the Lumberton Public 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 school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is a not material weakness.

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.

King CPA, PLLC

King CPA, PLLC
Petal, Mississippi
January 26, 2007

LUMBERTON PUBLIC SCHOOL DISTRICT

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

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Mississippi Society of
Certified Public Accountants

Independent Auditors' Report on Compliance with State Laws and Regulations

Superintendent and School Board
Lumberton Public School District

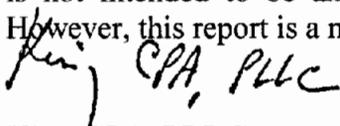
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 26, 2007. We conducted our audit in 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 state laws and regulations. However, providing an opinion on compliance with 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 **\$9,965** 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 did not disclose any instances of noncompliance with other state laws and regulations.

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


King CPA, PLLC
Petal, Mississippi
January 26, 2007

LUMBERTON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements: UNQUALIFIED
2. Material noncompliance relating to the general purpose financial statements? NO
3. Internal control over financial reporting:
- a. Material weakness (es) identified? NO
- b. Reportable condition(s) identified that are not considered to be material weakness? NO

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: UNQUALIFIED
5. Internal control over major programs:
- a. Material weakness (es) identified? NO
- b. Reportable condition(s) identified that are not considered to be material weaknesses? YES
6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? NO
7. Federal programs identified as major programs:
- Hurricane Education Recovery
CFDA # 84.938
- Special Education Cluster
CFDA # 84.027
84.173
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? YES
10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? NO

Section 2: Financial Statement Findings

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.

Section 3: Federal Award Findings and Questioned Cost

2006-1

Program US Department of Education, passed through Mississippi Department of Education
Special Education Cluster CFDA # 84.027 and 84.173

Reportable Condition: Allowable Cost Documentation

Criteria: Costs must meet certain requirements to be charged to the program.

Finding: The results of our tests of the costs charged to the Special Education program revealed the documentation supporting the charges does not include approval or acknowledgment of receipt of goods or services by the program director or other such knowledgeable person. Without review and approval by a knowledgeable person unallowable costs may be charged to the program.

Recommendation: Procedures should be followed to properly document approval of costs charged to the Special Education Program.

LUMBERTON PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

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As required by Section__315 (b) of OMB Circular A-133, the Lumberton Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2006-1	<p>Sped director will document approval of expenditures and acknowledgement of receipt of goods and services.</p> <p>Jana Grenn, business manager and Linda Cubley, sped director will monitor to insure procedures are being followed. 601-796-8674.</p>

LUMBERTON PUBLIC SCHOOL DISTRICT

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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As required by Section __.315 (b) of OMB Circular A-133, the Lumberton Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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There are no unresolved prior audit findings.