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**SCOTT COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2006**

SCOTT COUNTY SCHOOL DISTRICT

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SCOTT COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

# Windham and Lacey, PLLC

*Certified Public Accountants*

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American Institute of CPAs  
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## INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Scott County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2006, which collectively comprise the Scott County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the Scott County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, on our consideration of the Scott County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 - 10 and the Budgetary Comparison Schedules and corresponding notes on pages 31 and 36 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scott County 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.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
January 22, 2008

SCOTT COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SCOTT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of Scott County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 increased \$1,280,043, which represents 7.6% increase from fiscal year 2005.
- General revenues account for \$21,383,918 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,702,039 or 21% of total revenues.
- The District had \$25,805,914 in expenses; only \$5,702,039 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,383,918 were adequate to provide for these programs.
- Among major funds, the General Fund had \$21,291,142 in revenues and \$20,239,227 in expenditures. The General Fund's fund balance increased \$1,051,915 over the prior year. The increase was a result of total revenues outpacing total expenditures.
- Capital assets, net of accumulated depreciation, decreased by \$449,385. This was a result of depreciation expense being more than current year additions.
- Long-term debt decreased by \$822,970. The reduction of debt is due to debt service payments being made with no new debt issued.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net assets presents information 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.

The government-wide financial statements can be found on pages 12-13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively, of this report.

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.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 18.

**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. The notes to the financial statements can be found on pages 19-29 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 31-36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 38 and 39 respectively, of this report.

## 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 \$18,229,395 as of June 30, 2006.

By far the largest portion of the District's net assets (74%) 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.

The District's financial position is a product of several financial transactions including the net result of activities, 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 as of June 30, 2006 and 2005, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>
Current assets	\$ 5,300,086	\$ 4,166,725	27 %
Capital assets, net	<u>13,513,269</u>	<u>13,962,654</u>	-3 %
<b>Total assets</b>	<b><u>18,813,355</u></b>	<b><u>18,129,379</u></b>	<b>4 %</b>
Current liabilities	394,365	167,462	135%
Long-term debt outstanding	<u>189,595</u>	<u>1,012,565</u>	-81%
<b>Total liabilities</b>	<b><u>583,960</u></b>	<b><u>1,180,027</u></b>	<b>-51%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	13,498,061	13,146,793	3 %
Restricted	1,124,437	2,393,844	-53 %
Unrestricted	<u>3,606,897</u>	<u>1,408,715</u>	156 %
<b>Total net assets</b>	<b><u>\$ 18,229,395</u></b>	<b><u>16,949,352</u></b>	<b>8 %</b>

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

- The principal retirement of \$800,653 of long-term debt.
- Capital assets decreased \$449,385, mainly due to depreciation expense.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2006 were \$27,085,957. The total cost of all programs and services was \$25,805,914. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 705,720	\$ 807,541	-13%
Operating grants and contributions	4,996,319	4,608,456	8%
Capital grants and contributions		10,100	
General revenues:			
Property taxes	2,207,026	2,042,673	8%
Grants and contributions not restricted	18,233,549	16,457,707	11%
Other	943,343	606,095	56%
<b>Total revenues</b>	<u>27,085,957</u>	<u>24,532,572</u>	11%
<b>Expenses:</b>			
Instruction	15,812,738	15,245,694	4%
Support services	8,060,121	6,320,539	28%
Non-instructional	1,842,619	1,679,094	10%
Sixteenth section	58,594	29,553	98%
Interest and other expense on long-term liabilities	<u>31,842</u>	<u>44,109</u>	-28%
<b>Total expenses</b>	<u>25,805,914</u>	<u>23,318,989</u>	11%
<b>Increase (Decrease) in net assets</b>	1,280,043	1,213,583	5%
<b>Net Assets, July 1</b>	<u>16,949,352</u>	<u>15,735,769</u>	8%
<b>Net Assets, June 30</b>	<u>\$ 18,229,395</u>	<u>\$ 16,949,352</u>	8%

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

Pay raises and increase retirement costs increased Instruction expenses for the year, as well as an increase in displaced students due to Hurricane Katrina. The Hurricane also damaged property leading to an increase in expenditures, revenues in the form of increased grants and insurance recoveries.

**Governmental activities.** The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	<u>2005</u>		<u>2006</u>	
	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$15,245,694	\$-12,846,155	\$15,812,738	\$-13,259,678
Support services	6,320,539	-5,082,333	8,060,121	-6,908,107
Non-instructional	1,679,094	109,258	1,842,619	154,346
Sixteenth section	29,553	-29,553	58,594	-58,594
Interest and other expenses on long-term liabilities	<u>44,109</u>	<u>-44,109</u>	<u>31,842</u>	<u>-31,842</u>
<b>Total expenses</b>	<u>\$23,318,989</u>	<u>\$ -17,892,892</u>	<u>\$ 25,805,914</u>	<u>\$ -20,103,875</u>

- Net cost of governmental activities (\$20,103,875), was financed by general revenue, which is made up of primarily property taxes (\$2,207,026) and state revenue (\$17,781,190).
- Investment earnings accounted for \$79,802 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 the year, its governmental funds reported a combined fund balance of \$4,905,721, an increase of \$887,474 due primarily to more revenues than expenditures. \$4,569,508 or 93% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$336,213 or 7% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,051,915, a result of revenues outpacing expenditures. The fund balance of Other Governmental Funds showed a decrease due primarily to the purchase of buses of \$237,500 and reduction of debt.

**BUDGETARY HIGHLIGHTS**

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

General fund and Title 1:A Basic fund revenues and expenditures were overestimated in the original budget, whereas IDEA Part B fund and Sixteenth Section Interest fund revenues and expenditures were underestimated. Each of these funds were adjusted to reflect those differences.

The Displaced Students Grant fund resulted from funding due to Hurricane Katrina, and was added during the year. It had no original budget.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$27,232,484, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$228,528 from the previous year. The purchase of school buses amounted to \$237,500 and deleted equipment totaled \$8,972. Total accumulated depreciation as of June 30, 2006 was \$13,719,215 and total depreciation expense for the year was \$686,795, resulting in total net assets of \$13,513,269.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Land	\$ 101,700	\$ 101,700	0%
Buildings	12,181,780	12,626,480	-4%
Improvements other than buildings	361,650	406,355	-11%
Mobile equipment	495,142	344,644	44%
Furniture and equipment	340,313	448,868	-24%
Leased property under capital lease	32,684	34,607	-6%
<b>Total</b>	<u>\$13,513,269</u>	<u>\$ 13,962,654</u>	<b>-3%</b>

Additional information of the District's capital assets can be found in Note 5 on page 26 of this report.

**Debt Administration.** At June 30, 2006, the District had \$15,208 in general obligation bonds and other long-term debt outstanding, of which \$6,016 is due within one year.

	<u>Outstanding Debt</u>		Percentage <u>Change</u>
	<u>2006</u>	<u>2005</u>	
Limited obligation bonds payable	\$ 0	\$795,000	-100%
MS Power Capital lease	15,208	20,861	-27%
Compensated absences payable	<u>174,387</u>	<u>196,704</u>	-11%
<b>Total</b>	<u>\$189,595</u>	<u>\$1,012,565</u>	<b>-81%</b>

Additional information of the District's long-term debt can be found in Note 6 on page 27 of this report.

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The millage has remained unchanged for 5 years. In addition, the District 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 will decline. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Scott County School District, 100 E. First Street, Forest, MS 39074 .

SCOTT COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

SCOTT COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,338,859
Due from other governments	846,109
Other receivables, net	5,911
Inventories and prepaid items	45,909
Restricted assets	63,298
Capital assets, not being depreciated:	
Land	101,700
Capital assets, net of accumulated depreciation:	
Buildings	12,181,780
Improvements other than buildings	361,650
Mobile equipment	495,142
Furniture and equipment	340,313
Leased property under capital leases	<u>32,684</u>
 Total Assets	 <u>18,813,355</u>
Liabilities	
Accounts payable and accrued liabilities	394,365
Long-term liabilities, due within one year	
Capital related liabilities	6,016
Long-term liabilities, due beyond one year	
Capital related liabilities	9,192
Non-capital related liabilities	<u>174,387</u>
 Total Liabilities	 <u>583,960</u>
Net Assets	
Invested in capital assets, net of related debt	13,498,061
Restricted net assets:	
Expendable:	
School-based activities	834,118
Capital improvements	15
Forestry improvements	161,958
Unemployment benefits	67,042
Non-expendable:	
Sixteenth section	61,304
Unrestricted	<u>3,606,897</u>
 Total Net Assets	 <u>\$ 18,229,395</u>

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

SCOTT COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
<b>Governmental Activities:</b>				
Instruction	\$ 15,812,738	367,008	2,186,052	(13,259,678)
Support services	8,060,121		1,152,014	(6,908,107)
Non-instructional	1,842,619	338,712	1,658,253	154,346
Sixteenth section	58,594			(58,594)
Interest on long-term liabilities	31,842			(31,842)
<b>Total Governmental Activities</b>	<b>\$ 25,805,914</b>	<b>705,720</b>	<b>4,996,319</b>	<b>(20,103,875)</b>

General Revenues:

Taxes:

General purpose levies \$ 2,207,026

Unrestricted grants and contributions:

State 17,781,190

Federal 452,359

Unrestricted investment earnings 79,802

Sixteenth section sources 126,600

Other 736,941

**Total General Revenues 21,383,918**

Change in Net Assets 1,280,043

Net Assets - Beginning 16,949,352

Net Assets - Ending \$ 18,229,395

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

SCOTT COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2006

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I A: Basic Fund	Displaced Students Grant Fund	IDEA Pt B Fund	16th Section Interest Fund	Other Governmental Funds	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,191,150				1,054,669	1,156,338	4,402,157
Due from other governments	294,213	106,660	145,015	148,994		151,227	846,109
Due from other funds	474,699				1,312	45,909	476,011
Inventories and prepaid items							45,909
<b>Total Assets</b>	<b>\$ 2,960,062</b>	<b>106,660</b>	<b>145,015</b>	<b>148,994</b>	<b>1,055,981</b>	<b>1,353,474</b>	<b>5,770,186</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 297,417	1,961		4,889	64,981	22,822	392,070
Due to other funds		104,699	145,015	96,677		126,004	472,395
<b>Total Liabilities</b>	<b>297,417</b>	<b>106,660</b>	<b>145,015</b>	<b>101,566</b>	<b>64,981</b>	<b>148,826</b>	<b>864,465</b>
Fund Balances:							
Reserved for:							
Inventory						45,909	45,909
Unemployment benefits						67,042	67,042
Forestry improvement purposes						161,958	161,958
Permanent fund purposes						61,304	61,304
Unreserved:							
Undesignated, reported in:							
General Fund	2,662,645					868,420	2,662,645
Special Revenue Funds				47,428	991,000	15	1,906,848
Capital Projects Funds							15
<b>Total Fund Balances</b>	<b>2,662,645</b>	<b>0</b>	<b>0</b>	<b>47,428</b>	<b>991,000</b>	<b>1,204,648</b>	<b>4,905,721</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,960,062</b>	<b>106,660</b>	<b>145,015</b>	<b>148,994</b>	<b>1,055,981</b>	<b>1,353,474</b>	<b>5,770,186</b>

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

SCOTT COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2006

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds \$ 4,905,721

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$13,719,215. 13,513,269
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (189,595)

Total Net Assets - Governmental Activities \$ 18,229,395

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

SCOTT COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I A Basic Fund	Displaced Students Grant Fund	IDEA Pt B Fund	16th Section Interest Fund		
<b>Revenues:</b>							
Local sources	\$ 2,676,841					340,921	3,017,762
Intermediate sources						2,500	2,500
State sources	17,475,969					1,211,698	18,687,667
Federal sources	452,359	991,799	145,015	720,717		2,229,811	4,539,701
Sixteenth section sources					124,123	4,985	129,108
<b>Total Revenues</b>	<b>20,605,169</b>	<b>991,799</b>	<b>145,015</b>	<b>720,717</b>	<b>124,123</b>	<b>3,789,915</b>	<b>26,376,738</b>
<b>Expenditures:</b>							
Instruction	12,267,520	662,859	145,015	463,062		1,701,606	15,240,062
Support services	6,805,255	314,709		210,227		808,712	8,138,903
Noninstructional services		9,231				1,824,736	1,833,967
Sixteenth section					9,493	49,101	58,594
Facilities acquisition and construction	63,723						63,723
Debt service							
Principal						801,715	801,715
Interest						24,331	24,331
Other						796	796
<b>Total Expenditures</b>	<b>19,136,498</b>	<b>986,799</b>	<b>145,015</b>	<b>673,289</b>	<b>9,493</b>	<b>5,210,997</b>	<b>26,162,091</b>
Excess (Deficiency) of Revenues over Expenditures	1,468,671	5,000	0	47,428	114,630	(1,421,082)	214,647
<b>Other Financing Sources (Uses):</b>							
Insurance loss recoveries	671,618						671,618
Operating transfers in						1,102,729	1,102,729
Other financing sources	1,274						1,274
Operating transfers out	(1,102,729)						(1,102,729)
Indirect costs	13,081	(5,000)				(8,081)	0
Other financing uses						(65)	(65)
<b>Total Other Financing Sources (Uses)</b>	<b>(416,756)</b>	<b>(5,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,094,583</b>	<b>672,827</b>
Net Change in Fund Balances	1,051,915	0	0	47,428	114,630	(326,499)	887,474
<b>Fund Balances:</b>							
July 1, 2005	1,610,730	0	0	0	876,370	1,526,241	4,013,341
Increase (Decrease) in reserve for inventory						4,906	4,906
June 30, 2006	\$ 2,662,645	0	0	47,428	991,000	1,204,648	4,905,721

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

SCOTT COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 887,474
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$237,500 and the depreciation expense amounted to \$686,795.	(449,295)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	800,653
3. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(90)
4. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	4,906
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	22,317
Accrued interest on bonds	<u>14,078</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,280,043</u>

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

SCOTT COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2006

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$	<u>93,075</u>
Total Assets	\$	<u><u>93,075</u></u>
Liabilities		
Due to other funds	\$	3,616
Due to student clubs		<u>89,459</u>
Total Liabilities	\$	<u><u>93,075</u></u>

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to 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 a "primary government." The school district is governed by a 5-member board to which each member was elected by citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

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

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

*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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

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 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.

**Title I-A Fund** - This fund is used to account for revenues and expenditures of the federal program which is used to improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging state's academic standards. It allows the district to upgrade the school's overall instructional program.

**Displaced Student Grant** - This fund is used to account for grant funds received to serve students displaced by Hurricane Katrina.

**IDEA Part B Fund** - This fund is used to account for funds received from the "Individuals with Disabilities Education Act", to provide a free appropriate public education to all children with disabilities.

**Sixteenth Section Interest Fund** - This fund serves to collect expendable sixteenth section revenues from various sixteenth section sources. Expendable revenues from this fund are transferred to the district's General Fund per specific statutory board order.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

**Special Revenue Funds** - Special Revenue Funds are used to account for 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.

# SCOTT COUNTY SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2006

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

#### 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 three 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 three 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

I. Capital Assets.

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

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
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 noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the 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.

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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

L. Equity Classifications.

*Government-wide Financial Statements:*

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

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

*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.

Reserved for forestry improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest lands.

Reserved for permanent fund purposes - 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

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.

P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the county and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

(2) Changes in Accounting Standards.

As required, the Scott County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This 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.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

(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 districts' 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 \$4,402,157 and \$93,075, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$4,338,859 and restricted assets - \$63,298. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$6,584,910.

*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 \$6,584,910 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

Governmental Funds:	Due From	Due to
General Fund	\$ 474,699	\$
Title I:A Basic		104,699
Displaced Students Grant		145,015
IDEA Pt. B		96,677
16th Section Interest Fund	1,312	
Other Governmental Funds		126,004
Total Governmental Funds	<u>476,011</u>	<u>472,395</u>
Fiduciary Funds		3,616
Total	<u>\$ 476,011</u>	<u>\$ 476,011</u>

Interfund transfers were made to cover June expenditures in most of the above funds, and to pay for Hurricane Katrina expenditures covered by FEMA fund receivables.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

B. Transfers In/Out:

<u>Fund</u>	<u>Transfers In</u>		<u>Transfers Out</u>	
<u>Governmental Funds:</u>				
General Fund	\$		\$	1,102,729
Other Governmental funds		<u>1,102,729</u>		
Total	\$	<u>1,102,729</u>	\$	<u>1,102,729</u>

Transfers were primarily indirect costs and transfers to the Vocational Education fund from the General fund for routine operations.

(5) Capital Assets.

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

	Beginning Balance 7/1/2005	Additions	Retirements	Ending Balance 6/30/2006
<u>Non-depreciable capital assets:</u>				
Land	\$ 101,700			101,700
Construction in progress	-	-		-
Total non-depreciable capital assets	<u>101,700</u>	<u>-</u>	<u>0</u>	<u>101,700</u>
<u>Depreciable capital assets:</u>				
Buildings	19,889,537			19,889,537
Improvements other than buildings	1,050,335	-		1,050,335
Mobile equipment	2,307,426	237,500		2,544,926
Furniture and equipment	3,616,505	-	(8,972)	3,607,533
Leased property under capital lease	38,453			38,453
Total depreciable capital assets	<u>26,902,256</u>	<u>237,500</u>	<u>(8,972)</u>	<u>27,130,784</u>
Total assets	\$ <u>27,003,956</u>	<u>237,500</u>	<u>(8,972)</u>	<u>27,232,484</u>
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 7,263,057	444,700		7,707,757
Improvements other than buildings	643,980	44,705		688,685
Mobile equipment	1,962,782	87,002		2,049,784
Furniture and equipment	3,167,637	108,465	(8,882)	3,267,220
Leased property under capital leases	3,846	1,923		5,769
Total accumulated depreciation	<u>13,041,302</u>	<u>686,795</u>	<u>(8,882)</u>	<u>13,719,215</u>
Total depreciable capital assets, net	<u>13,860,954</u>	<u>(449,295)</u>	<u>(90)</u>	<u>13,411,569</u>
Governmental activities capital assets, net	\$ <u>13,962,654</u>	<u>(449,295)</u>	<u>(90)</u>	<u>13,513,269</u>

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 572,677
Support services	100,560
Non-instructional	<u>13,558</u>
Total depreciation expense	<u>\$ 686,795</u>

The capital assets above include \$8,889,871 of building and \$2,064,896 of furniture and equipment, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(6) Long-term Liabilities.

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

	<u>Balance</u> <u>7/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2006</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. Limited obligation bonds payable	\$ 795,000		795,000	-	
B. Obligations under energy efficiency lease	20,861		5,653	15,208	6,016
C. Compensated absences payable	<u>196,704</u>		<u>22,317</u>	<u>174,387</u>	
Total	<u>\$ 1,012,565</u>	<u>-</u>	<u>822,970</u>	<u>189,595</u>	<u>6,016</u>

A. Limited obligation bonds payable

Limited obligation bonds payable were paid off during the fiscal year.

B. Obligations under energy efficiency lease.

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

<u>Year Ending</u> <u>30-June</u>	<u>Principal</u>	<u>Interest and</u> <u>Maintenance</u> <u>Charges</u>	<u>Total</u>
2007	\$ 6,016	780	6,796
2008	6,403	393	6,796
2009	<u>2,789</u>	<u>44</u>	<u>2,833</u>
Total	<u>\$ 15,208</u>	<u>1,217</u>	<u>16,425</u>

An energy efficiency lease agreement dated November 7, 2001, was executed by and between the district, the lessee, and Mississippi Power Company, the lessor.

SCOTT COUNTY SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2006

The agreement authorized the borrowing of \$38,453 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Vocational Education Fund and not exceed ten (10) years. The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

C. 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 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 rate for the fiscal year ending June 30, 2006 was 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 \$2,400,052, \$2,258,948, and \$2,069,753, 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. The future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30,	Principal	Interest and Maintenance Charges	Total
2007	\$ 6,016	780	6,796
2008	6,403	393	6,796
2009	2,789	44	2,833
Total	\$ <u>15,208</u>	<u>1,217</u>	<u>16,425</u>

(9) Subsequent events.

On August 29, 2005, Hurricane Katrina passed through the State of Mississippi. School District suffered significant damage to many of its facilities during this hurricane. The district estimates the amount of damages to its facilities was approximately \$742,000. The district, however, received approximately \$672,000 in insurance proceeds for the replacement of damaged property. Other donations and federal grants were deemed sufficient to allow the District to repair damages and replace lost equipment.

(10) Risk Management.

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

(11) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Scott County School District nor the Scott County School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Scott County School District shares with other school districts, Scott County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Scott County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Scott County School District may be entitled to a portion of the sixteenth section revenues the other school districts received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

SCOTT COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCOTT COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original	Final
				to Final	to Actual
<b>Revenues:</b>					
Local sources	\$ 3,043,307	2,693,670	2,676,841	(349,637)	(16,829)
State sources	18,656,311	17,275,779	17,475,969	(1,380,532)	200,190
Federal sources	490,416	452,359	452,359	(38,057)	0
Total Revenues	<u>22,190,034</u>	<u>20,421,808</u>	<u>20,605,169</u>	<u>(1,768,226)</u>	<u>183,361</u>
<b>Expenditures:</b>					
Instruction	12,663,526	12,268,466	12,267,520	395,060	946
Support services	7,727,521	6,870,860	6,805,255	856,661	65,605
Facilities acquisition and construction	500,000	63,723	63,723	436,277	0
Total Expenditures	<u>20,891,047</u>	<u>19,203,049</u>	<u>19,136,498</u>	<u>1,687,998</u>	<u>66,551</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,298,987</u>	<u>1,218,759</u>	<u>1,468,671</u>	<u>(80,228)</u>	<u>249,912</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries		671,618	671,618	671,618	0
Sale of transportation equipment	1,000			(1,000)	0
Sale of other property	1,000			(1,000)	0
Operating transfers in	2,662,093	1,901,257	1,901,016	(760,836)	(241)
Other financing sources	1,500	1,274	1,275	(226)	1
Operating transfers out	(3,821,470)	(3,003,746)	(3,003,746)	817,724	0
Indirect costs	43,156	13,081	13,081	(30,075)	0
Total Other Financing Sources (Uses)	<u>(1,112,721)</u>	<u>(416,516)</u>	<u>(416,756)</u>	<u>696,205</u>	<u>(240)</u>
Net Change in Fund Balances	<u>186,266</u>	<u>802,243</u>	<u>1,051,915</u>	<u>615,977</u>	<u>249,672</u>
<b>Fund Balances:</b>					
July 1, 2005			1,610,730	0	1,610,730
June 30, 2006	\$ <u>186,266</u>	<u>802,243</u>	<u>2,662,645</u>	<u>615,977</u>	<u>1,860,402</u>

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

SCOTT COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I: A Basic Fund  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenues:</b>					
Federal sources	\$ 1,123,881	991,799	991,799	(132,082)	0
Total Revenues	<u>1,123,881</u>	<u>991,799</u>	<u>991,799</u>	<u>(132,082)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	217,313	662,859	662,859	(445,546)	0
Support services	208,586	314,709	314,709	(106,123)	0
Noninstructional services	<u>12,556</u>	<u>9,231</u>	<u>9,231</u>	<u>3,325</u>	<u>0</u>
Total Expenditures	<u>438,455</u>	<u>986,799</u>	<u>986,799</u>	<u>(548,344)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>685,426</u>	<u>5,000</u>	<u>5,000</u>	<u>(680,426)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out			(5,000)	0	(5,000)
Other financing uses	<u>(3,300)</u>	<u>(5,000)</u>	<u>0</u>	<u>(1,700)</u>	<u>5,000</u>
Total Other Financing Sources (Uses)	<u>(3,300)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(1,700)</u>	<u>0</u>
Net Change in Fund Balances	<u>682,126</u>	<u>0</u>	<u>0</u>	<u>(682,126)</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2005				0	0
June 30, 2006	\$ <u>682,126</u>	<u>0</u>	<u>0</u>	<u>(682,126)</u>	<u>0</u>

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

SCOTT COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Displaced Students Grant Fund  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances	
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	
				<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$	145,015	145,015	145,015	0
Total Revenues	0	145,015	145,015	145,015	0
Expenditures:					
Instruction		145,015	145,015	(145,015)	0
Total Expenditures	0	145,015	145,015	(145,015)	0
Excess (Deficiency) of Revenues over Expenditures	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2005				0	0
June 30, 2006	\$	0	0	0	0

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

SCOTT COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 IDEA Part B Fund  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances	
	<u>Original</u>	<u>Final</u>		Positive (Negative)	
				<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Federal sources	\$ 484,037	720,717	720,717	236,680	0
Total Revenues	<u>484,037</u>	<u>720,717</u>	<u>720,717</u>	<u>236,680</u>	<u>0</u>
Expenditures:					
Instruction	326,966	463,063	463,062	(136,097)	1
Support services	<u>133,071</u>	<u>210,226</u>	<u>210,227</u>	<u>(77,155)</u>	<u>(1)</u>
Total Expenditures	<u>460,037</u>	<u>673,289</u>	<u>673,289</u>	<u>(213,252)</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>24,000</u>	<u>47,428</u>	<u>47,428</u>	<u>23,428</u>	<u>0</u>
				<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>24,000</u>	<u>47,428</u>	<u>47,428</u>	<u>23,428</u>	<u>0</u>
Fund Balances:					
July 1, 2005				0	0
June 30, 2006	\$ <u>24,000</u>	<u>47,428</u>	<u>47,428</u>	<u>23,428</u>	<u>0</u>

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

SCOTT COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 99,000	124,123	124,123	25,123	0
Total Revenues	99,000	124,123	124,123	25,123	0
<b>Expenditures:</b>					
Sixteenth section	13,000	9,536	9,493	3,464	43
Facilities acquisition and construction	248,300			248,300	0
Total Expenditures	261,300	9,536	9,493	251,764	43
Excess (Deficiency) of Revenues over Expenditures	(162,300)	114,587	114,630	276,887	43
<b>Other Financing Sources (Uses):</b>					
Other financing uses	(300,000)	0	0	300,000	0
Total Other Financing Sources (Uses)	(300,000)	0	0	300,000	0
Special items				0	0
Extraordinary items				0	0
				0	0
Net Change in Fund Balances	(462,300)	114,587	114,630	576,887	43
<b>Fund Balances:</b>					
July 1, 2005			876,370	0	876,370
June 30, 2006	\$ (462,300)	114,587	991,000	576,887	876,413

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(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, and variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

SCOTT COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

Scott County School District  
 Schedule of Federal Financial Assistance  
 For the Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through Mississippi Department of Education:		
Non cash assistance:		
Food donation	10.550	\$ 97,647
Child Nutrition Cluster:		
School breakfast program	10.553	351,540
National school lunch program	10.555	1,049,903
Total child nutrition cluster		<u>1,401,443</u>
Total passed through MDE		<u>1,499,090</u>
Total U.S. Department of Agriculture		<u>1,499,090</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>91,880</u>
Total Federal Communications Commission		<u>91,880</u>
 <u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education:		
Special education cluster:		
Special Education - Grants to States	84.027	673,289
Special Education - Preschool Grants	84.173	35,228
Total Special Education cluster		<u>708,517</u>
Title I Grants to Local Educational Agencies	84.010	991,799
Migrant education state grant program	84.011	13,662
Vocational Education - Basic Grants to States	84.048	71,747
Literacy through school libraries	84.364	6,422
English language acquisition grants	84.365	53,446
Improving Teacher Quality State Grants	84.367	289,708
Safe and Drug Free Schools and Communities - State Grants	84.186	29,062
Rural education	84.358	123,267
Grants for State Assessments and Related Activities	84.369	23,900
Hurricane Education Recovery	84.938	145,015
Total passed through MDE		<u>2,456,545</u>
Total U.S. Department of Education		<u>3,165,062</u>
 <u>U.S. Department of Homeland Security</u>		
Passed through Mississippi Emergency Management Agency		
Disaster Grants-Public Assistance (Presidentially declared disasters)	97.036	<u>44,344</u>
Total U.S. Department of Homeland Security		<u>44,344</u>
Total for All Federal Awards		\$ <u><u>4,091,860</u></u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other			Other
		Student Instructional Expenditures	General Administration	School Administration	
Salaries and fringe benefits	\$ 19,252,260	15,148,899	753,100	1,168,870	2,181,391
Other	6,909,832	1,845,024	231,880	99,173	4,733,754
<b>Total</b>	<b>\$ 26,162,091</b>	<b>16,993,923</b>	<b>984,980</b>	<b>1,268,043</b>	<b>6,915,145</b>
Total number of students *	3,889				
Cost per student \$	6,727	4,370	253	326	1,778

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

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

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

SCOTT COUNTY SCHOOL DISTRICT

SPECIAL REPORTS

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members:  
American Institute of CPAs  
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S 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  
Scott County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 22, 2008. 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated January 22, 2008, which is included in this report.

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

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
January 22, 2008

# Windham and Lacey, PLLC

*Certified Public Accountants*

---

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## INDEPENDENT AUDITOR'S 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  
Scott County School District

### Compliance

We have audited the compliance of the Scott County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the 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, Scott County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
January 22, 2008

# Windham and Lacey, PLLC

*Certified Public Accountants*

---

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS AND OTHER MATTERS

Superintendent and School Board  
Scott County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2006, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The results of 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 \$83,529 of classroom supply funds carried over from previous years.

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

School Board.

1. Finding

During our test of payroll for non-exempt employees, we noted instances of time sheets that were submitted prior to the month's end, for wages that were paid through the month's end.

Recommendation

Time sheets should be prepared based on actual hours worked.

Response

The School District is implementing a plan to account for payroll expenditures based on actual hours worked.

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

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

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
January 22, 2008

SCOTT COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCOTT COUNTY 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 financial statements:                          | Unqualified |
| 2. | Material noncompliance relating to the 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 weaknesses? | 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?                                                                                                                                               | None reported |
| 6.  | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133?                                                                                                                                                | No            |
| 7.  | Federal programs identified as major programs:                                                                                                                                                                                      |               |
| a.  | Child Nutrition Cluster<br>School Breakfast Program, CFDA #10.553<br>National School Lunch Program, CFDA #10.555                                                                                                                    |               |
| 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 relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No            |

SCOTT COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

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 Costs

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