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ABERDEEN SCHOOL DISTRICT

Audited Financial Statements  
For the Fiscal Year Ended June 30, 2007

Cox & Palmer  
Certified Public Accountants



# ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

ABERDEEN SCHOOL DISTRICT

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

Superintendent and School Board  
Aberdeen School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aberdeen School District as of and for the year ended June 30, 2007, which collectively comprise the Aberdeen School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Aberdeen 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 Aberdeen School District, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007, on our consideration of the Aberdeen 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

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Aberdeen School District  
Independent Auditor's Report

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 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 43 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 Aberdeen 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.

  
Cox & Palmer  
November 15, 2007

ABERDEEN SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

The discussion and analysis of Aberdeen School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### FINANCIAL HIGHLIGHTS

- Total net assets decreased \$35,194, which represents 0.81% decrease from fiscal year 2006. This is due primarily to a decrease in cash reserves and new capital assets.
- General revenues account for \$10,955,864 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,026,501 or 22% of total revenues.
- The District had \$14,017,559 in expenses; only \$3,026,501 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,955,864 and reserves were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,583,361 in revenues and \$10,865,968 in expenditures. The General Fund's fund balance decreased \$407,531 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$9,942 due to the disposal and retirement of obsolete equipment.
- Long-term debt decreased by \$399,420.

### 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.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

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, and interest and other expenses on long-term liabilities.

The government-wide financial statements can be found immediately following 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 located in Exhibits C and D.

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

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. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets in Exhibit F.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of the 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 the major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in 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 \$4,296,652 as of June 30, 2007.

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

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007.

	Net Assets	
	June 30, 2007	June 30, 2006
Current Assets	\$ 2,714,052	\$2,952,746
Capital assets, net	<u>2,469,573</u>	<u>2,479,515</u>
<b>Total assets</b>	<u>5,183,625</u>	<u>5,432,261</u>
Current liabilities	304,979	119,001
Long-term debt outstanding	<u>581,994</u>	<u>981,414</u>
<b>Total liabilities</b>	<u>886,973</u>	<u>1,100,415</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,939,573	1,554,515
Restricted	681,175	698,316
Unrestricted	<u>1,675,904</u>	<u>2,079,015</u>
<b>Total net assets</b>	<u>\$ 4,296,652</u>	<u>\$4,331,846</u>

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

- The principal retirement of \$395,000 of long-term debt.
- Capital asset transactions, net of accumulated depreciation, decreased in the amount of \$9,942 as a result of additional asset purchases in the amount of \$137,327 and deletions/retirements of obsolete equipment in the amount of \$33,074.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$13,982,365. The total cost of all programs and services was \$14,017,559. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007.

	Changes in Net Assets	
	June 30, 2007	June 30, 2006
<b>Revenues:</b>		
Program revenues		
Charge for services	\$ 302,481	\$ 261,599
Operating grants and contributions	2,724,020	2,904,122
General revenues		
Property taxes	3,561,531	3,390,207
Grants and contributions not restricted	7,228,458	7,165,941
Other	<u>165,875</u>	<u>119,202</u>
<b>Total revenues</b>	<u>13,982,365</u>	<u>13,841,071</u>

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

<b>Expenses:</b>		
Instruction	7,832,892	8,067,250
Support services	5,282,208	5,164,120
Non-instructional	871,632	848,101
Interest and other expenses on long-term liabilities	<u>30,827</u>	<u>47,220</u>
<b>Total expenses</b>	<u>14,017,559</u>	<u>14,126,691</u>
<b>Increase (decrease) in net assets</b>	<u>\$ (35,194)</u>	<u>\$ (285,620)</u>

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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 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>2007</u>		<u>2006</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 7,832,892	\$ (6,261,563)	\$ 8,067,250	\$ (6,388,132)
Support services	5,282,208	(4,723,828)	5,164,120	(4,542,916)
Non-instructional	871,632	25,160	848,101	17,298
Interest and other expenses on long-term liabilities	<u>30,827</u>	<u>(30,827)</u>	<u>47,220</u>	<u>(47,220)</u>
<b>Total expenses</b>	<u>\$ 14,017,559</u>	<u>\$ (10,991,058)</u>	<u>\$ 14,126,691</u>	<u>\$ (10,960,970)</u>

- Net cost of governmental activities (\$10,991,058) was financed by general revenue, which is made up of primarily property taxes \$3,561,531 and state revenue \$6,974,793.
- Investment earnings accounted for \$133,345 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 expendable 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

ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007

\$2,416,561, a decrease of \$429,828, including the effect of a change in inventory of \$262 and an increase in expenditures. \$1,786,010 or 74% 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 \$630,551 or 26% 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 decrease in fund balance in the General Fund for the fiscal year was \$407,531 due primarily to an increase in expenditures and unfunded State mandates. The fund balance of Other Governmental Funds showed a decrease of \$32,929 due primarily to an increase in the cost of employee benefits.

### **BUDGETARY HIGHLIGHTS**

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

- Budget amounts for revenue from all sources was decreased due to not receiving all federal grants budgeted as these are reimbursable grants and can only be received when expended in these grants.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to completing construction projects earlier than anticipated.

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 fund is provided in this report as required supplementary information.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$5,952,333, including land, buildings, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents an increase of \$104,253 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$3,482,760 and total depreciation expense for the year was \$146,938, resulting in total net assets of \$2,469,573.

Additional information of the District's capital assets can be found in the Notes to the Financial Statements of this report.

**Debt Administration.** At June 30, 2007, the District had \$581,994 in general obligation bonds and other long-term debt outstanding, of which \$415,199 is due within one year.

The District maintains an AA- bond rating.

Additional information of the District's long-term debt can be found in Notes to the Financial Statements of this report.

**ABERDEEN SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

**CURRENT ISSUES**

The Aberdeen District is financially stable. The District is proud of its community support of the public schools and has established a Community Advisory Committee to assist the District with maintaining good relations.

The District has committed itself to financial excellence for many years. The millage has increased 2.32 mills for operations and decreased 0.06 mills for debt service since the year ended June 30, 2006. 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 remain relatively stable during the 2007-2008 fiscal year. The budget for the next fiscal year has taken this into account 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 Aberdeen School District, P. O. Box 607, Aberdeen, MS 39730-0607.

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT

FINANCIAL STATEMENTS

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2007

Exhibit A

	Governmental <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,156,489
Due from other governments	346,735
Other receivables, net	2,452
Inventories	38,266
Restricted assets	170,110
Capital assets, not being depreciated:	
Land	137,570
Capital assets, net of accumulated depreciation:	
Buildings	1,772,383
Improvements other than buildings	156,722
Mobile equipment	298,709
Furniture and equipment	<u>104,189</u>
<b>Total Assets</b>	<u>5,183,625</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	255,813
Deferred revenue	41,678
Interest payable on long-term liabilities	7,488
Long-term liabilities, due within one year	
Capital related liabilities	410,000
Non-capital related liabilities	5,199
Long-term liabilities, due beyond one year	
Capital related liabilities	120,000
Non-capital related liabilities	<u>46,795</u>
<b>Total Liabilities</b>	<u>886,973</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,939,573
Restricted net assets:	
Expendable:	
School - based activities	325,412
Debt service	318,505
Capital improvements	2,836
Unemployment benefits	34,422
Unrestricted	<u>1,675,904</u>
<b>Total Net Assets</b>	<u>\$ 4,296,652</u>

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

ABERDEEN SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,832,892	\$ 210,323	\$ 1,361,006	\$ -	\$ (6,261,563)
Support services	5,282,208	-	558,380	-	(4,723,828)
Non-instructional	871,632	92,158	804,634	-	25,160
Interest and other expenses on long-term liabilities	30,827	-	-	-	(30,827)
<b>Total Governmental Activities</b>	<b>\$ 14,017,559</b>	<b>\$ 302,481</b>	<b>\$ 2,724,020</b>	<b>\$ -</b>	<b>(10,991,058)</b>
General Revenues:					
Taxes:					
					3,382,948
					178,583
Unrestricted grants and contributions:					
					6,974,793
					253,665
					133,345
					32,530
					<u>10,955,864</u>
					Change in Net Assets (35,194)
					Net Assets - Beginning <u>4,331,846</u>
					Net Assets - Ending <u>\$ 4,296,652</u>

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

ABERDEEN SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2007

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	21st Century Grant	\$1,870,000 MAEP State Aid		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,765,052	\$ 17,246	\$ -	\$ 374,191	\$ 2,156,489
Investments	-	-	170,110	-	170,110
Due from other governments	131,968	31,029	125,729	58,009	346,735
Other receivables, net	2,452	-	-	-	2,452
Due from other funds	87	-	-	-	87
Inventories and prepaid items	-	-	-	38,266	38,266
<b>Total Assets</b>	<b><u>1,899,559</u></b>	<b><u>48,275</u></b>	<b><u>295,839</u></b>	<b><u>470,466</u></b>	<b><u>2,714,139</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	171,661	48,275	-	35,877	255,813
Due to other funds	-	-	-	87	87
Deferred revenue	-	-	-	41,678	41,678
<b>Total Liabilities</b>	<b><u>171,661</u></b>	<b><u>48,275</u></b>	<b><u>-</u></b>	<b><u>77,642</u></b>	<b><u>297,578</u></b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Inventory	-	-	-	38,266	38,266
Ad Valorem	229,034	-	-	-	229,034
Capital Projects	-	-	-	2,836	2,836
Debt Service	-	-	295,839	30,154	325,993
Unemployment benefits	-	-	-	34,422	34,422
<b>Unreserved:</b>					
<b>Undesignated, reported in:</b>					
General fund	1,498,864	-	-	-	1,498,864
Special Revenue funds	-	-	-	287,146	287,146
<b>Total Fund Balances</b>	<b><u>1,727,898</u></b>	<b><u>-</u></b>	<b><u>295,839</u></b>	<b><u>392,824</u></b>	<b><u>2,416,561</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,899,559</u></b>	<b><u>\$ 48,275</u></b>	<b><u>\$ 295,839</u></b>	<b><u>\$ 470,466</u></b>	<b><u>\$ 2,714,139</u></b>

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

ABERDEEN SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,416,561
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 \$3,482,760.	2,469,573
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(581,994)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(7,488)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,296,652</u>

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

ABERDEEN SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	21st Century Grant	\$1,870,000 MAEP State Aid	Other Governmental Funds	
Revenues:					
Local sources	\$3,744,335	\$ -	\$ 4,621	\$ 280,930	\$ 4,029,886
State sources	6,665,129	-	251,458	257,077	7,173,664
Federal sources	173,897	102,890	-	2,502,028	2,778,815
Total Revenues	<u>10,583,361</u>	<u>102,890</u>	<u>256,079</u>	<u>3,040,035</u>	<u>13,982,365</u>
Expenditures:					
Instruction	6,306,616	83,758	-	1,396,502	7,786,876
Support services	4,554,677	19,132	-	760,192	5,334,001
Noninstructional services	4,675	-	-	855,396	860,071
Debt service:					
Principal	-	-	225,000	170,000	395,000
Interest	-	-	19,635	14,966	34,601
Other	-	-	550	832	1,382
Total Expenditures	<u>10,865,968</u>	<u>102,890</u>	<u>245,185</u>	<u>3,197,888</u>	<u>14,411,931</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(282,607)</u>	<u>-</u>	<u>10,894</u>	<u>(157,853)</u>	<u>(429,566)</u>
Other Financing Sources (Uses):					
Operating transfers in	257,614	-	-	172,793	430,407
Operating transfers out	<u>(382,538)</u>	<u>-</u>	<u>-</u>	<u>(47,869)</u>	<u>(430,407)</u>
Total Other Financing Sources (Uses)	<u>(124,924)</u>	<u>-</u>	<u>-</u>	<u>124,924</u>	<u>-</u>
Net Change in Fund Balances	(407,531)	-	10,894	(32,929)	(429,566)
Fund Balances:					
July 1, 2006	2,135,429	-	284,945	426,015	2,846,389
(Decrease) in reserve for inventory	-	-	-	(262)	(262)
June 30, 2007	<u>\$1,727,898</u>	<u>\$ -</u>	<u>\$ 295,839</u>	<u>\$ 392,824</u>	<u>\$ 2,416,561</u>

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

ABERDEEN 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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (429,566)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$137,327 and the depreciation expense amounted to \$146,938.	(9,611)
2. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(331)
3. 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.	395,000
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it become dues.	5,156
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(262)
6. 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	<u>4,420</u>
Change in Net Assets of Governmental Activities	<u>\$ (35,194)</u>

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

ABERDEEN SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>638,328</u>
Total Assets	<u>638,328</u>
Liabilities	
Accounts payable and accrued liabilities	637,000
Due to student clubs	<u>1,328</u>
Total Liabilities	<u>\$ 638,328</u>

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

# ABERDEEN SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

### (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 Aberdeen 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 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

# ABERDEEN SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

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.

### 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.

# ABERDEEN SCHOOL DISTRICT

## Notes to Financial Statements For the Year Ended June 30, 2007

21<sup>st</sup> Century Community Learning Center Fund – This is a Special Revenue Fund funded by the U.S. Department of Education to serve students without the skills for early school success due to intergenerational poverty, low educational attainment of parents, and cultural deprivation caused by the rural geography of the area.

\$1,870,000 MAEP State Aid Bond Fund – This is a debt service fund funded by MAEP funds distributed by the Mississippi Department of Education for the retirement of a \$1,870,000 State Aid Capital Improvement Bond issue Series 1998.

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.

### 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 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.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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 deposits with original 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.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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 4 for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 5 for details.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

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

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

*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.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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 ad valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

Reserved for capital projects – An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service – An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

Unreserved, undesignated – An account that represents the portion of fund balance that is expendable available financial resources.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city 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.

## ABERDEEN SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2007

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.

#### (2) Cash and Cash Equivalents and Investments.

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

**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.

**Investments.** Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

(Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,156,489 and \$638,328, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$2,156,489. The bank balance was \$3,302,385.

*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, 2007, none of the district's bank balance of \$3,302,385 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank treasury money market	Less than 1	\$ 170,110	AAA
Total Investments		\$ 170,110	

Investments reported in the MAEP State Aid Retirement Fund are legally restricted and may not be used for purposes that support the district's programs. Therefore, the carrying amount of investments in this fund in the amount of \$170,110 is included as restricted assets in the government-wide financial statements.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

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

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

*Custodial Credit Risk – Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2007, the district did not have any investments to which this would apply.

(3) 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	\$ 87	\$ -
Other governmental funds	<u>-</u>	<u>87</u>
Total	<u>\$ 87</u>	<u>\$ 87</u>

The interfund loan was to cover a deficit cash balance.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 257,614	\$ 382,538
Other governmental funds	<u>172,793</u>	<u>47,869</u>
Total	<u>\$ 430,407</u>	<u>\$ 430,407</u>

The principal purposes of the transfers were to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfers.

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	<u>Balance 7-1-2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6-30-2007</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 137,570	-	-	137,570
Total non-depreciable capital assets	<u>137,570</u>	-	-	<u>137,570</u>
<u>Depreciable capital assets:</u>				
Buildings	3,646,062	-	-	3,646,062
Improvements other than buildings	217,671	-	-	217,671
Mobile equipment	1,082,193	70,139	-	1,152,332
Furniture and equipment	<u>764,584</u>	<u>67,188</u>	<u>33,074</u>	<u>798,698</u>
Total depreciable capital assets	<u>5,710,510</u>	<u>137,327</u>	<u>33,074</u>	<u>5,814,763</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,834,350	39,329	-	1,873,679
Improvements other than buildings	52,242	8,707	-	60,949
Mobile equipment	806,018	47,605	-	853,623
Furniture and equipment	<u>675,955</u>	<u>51,297</u>	<u>32,743</u>	<u>694,509</u>
Total accumulated depreciation	<u>3,368,565</u>	<u>146,938</u>	<u>32,743</u>	<u>3,482,760</u>
Total depreciable capital assets, net	<u>2,341,945</u>	<u>( 9,611)</u>	<u>( 331)</u>	<u>2,332,003</u>
Governmental activities capital assets, net	<u>\$ 2,479,515</u>	<u>( 9,611)</u>	<u>( 331)</u>	<u>2,469,573</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 48,806
Support services	86,469
Non-instructional	<u>11,663</u>
Total Depreciation Expense	<u>\$ 146,938</u>

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

(5) Long-term Liabilities.

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

	<u>Balance</u> <u>7-1-2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6-30-2007</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. Limited obligation bonds payable	\$ 580,000	-	225,000	355,000	235,000
B. Three mill notes payable	345,000	-	170,000	175,000	175,000
C. Compensated absences payable	<u>56,414</u>	<u>-</u>	<u>4,420</u>	<u>51,994</u>	<u>5,199</u>
Total	<u>\$ 981,414</u>	<u>-</u>	<u>399,420</u>	<u>581,994</u>	<u>415,199</u>

A. Limited obligation bonds payable.

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

<u>Description</u>	<u>Interest</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	Varies	03-01-1998	08-01-2008	<u>\$ 1,870,000</u>	<u>355,000</u>
Total				<u>\$ 1,870,000</u>	<u>355,000</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>
2008	\$ 235,000	\$ 9,975	\$ 244,975
2009	<u>120,000</u>	<u>2,520</u>	<u>122,520</u>
Total	<u>\$ 355,000</u>	<u>\$ 12,495</u>	<u>\$ 367,495</u>

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

ABERDEEN SCHOOL DISTRICT

Notes to Financial Statements  
For the Year Ended June 30, 2007

37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP State Aid Bond Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill limited tax note	Varies	05-01-1998	05-01-2008	\$ 1,200,000	175,000
Total				\$ 1,200,000	175,000

The following is a schedule for the final year payment due on this debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 175,000	\$ 7,656	\$ 182,656
Total	\$ 175,000	\$ 7,656	\$ 182,656

This debt will be retired from the Limited Tax Notes Fund.

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.

(6) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

## ABERDEEN SCHOOL DISTRICT

### Notes to Financial Statements For the Year Ended June 30, 2007

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 fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were \$935,906, \$844,739 and \$749,432, respectively, which equaled the required contributions for each year.

#### (7) 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.

#### 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 121 school districts and one community college and covers risks of loss arising from injuries to the member'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 \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,537,118	\$ 3,537,118	\$ 3,744,335	\$ -	\$ 207,217
State sources	6,679,141	6,910,744	6,665,129	231,603	(245,615)
Federal sources	167,188	164,376	173,897	(2,812)	9,521
Total Revenues	10,383,447	10,612,238	10,583,361	228,791	(28,877)
Expenditures:					
Instruction	6,293,143	6,399,006	6,306,616	(105,863)	92,390
Support services	3,884,854	4,264,640	4,554,677	(379,786)	(290,037)
Noninstructional services	-	5,000	4,675	(5,000)	325
Facilities acquisition and construction	148,000	405,524	-	(257,524)	405,524
Total Expenditures	10,325,997	11,074,170	10,865,968	(748,173)	208,202
Excess (Deficiency) of Revenues Over Expenditures	57,450	(461,932)	(282,607)	(519,382)	179,325
Other Financing Sources (Uses):					
Operating transfers in	283,928	283,928	257,614	-	(26,314)
Operating transfers out	(331,548)	(415,538)	(382,538)	(83,990)	33,000
Other financing uses	(40,000)	-	-	40,000	-
Total Other Financing Sources (Uses)	(87,620)	(131,610)	(124,924)	(43,990)	6,686
Net Change in Fund Balances	(30,170)	(593,542)	(407,531)	(563,372)	186,011
Fund Balances:					
July 1, 2006	2,135,429	2,135,429	2,135,429	-	-
June 30, 2007	\$ 2,105,259	\$ 1,541,887	\$ 1,727,898	\$ (563,372)	\$ 186,011

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

ABERDEEN SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 21st Century Grant  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 203,999	\$ 102,890	\$ 203,999	\$ (101,109)
Total Revenues	-	203,999	102,890	203,999	(101,109)
Expenditures:					
Instruction	-	161,941	83,758	(161,941)	78,183
Support services	-	36,116	19,132	(36,116)	16,984
Total Expenditures	-	198,057	102,890	(198,057)	95,167
Excess (Deficiency) of Revenues Over Expenditures	-	5,942	-	5,942	(5,942)
Other Financing Sources (Uses):					
Operating transfers out	-	(5,942)	-	(5,942)	5,942
Total Other Financing Sources (Uses)	-	(5,942)	-	(5,942)	5,942
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2006	-	-	-	-	-
June 30, 2007	\$ -	\$ -	\$ -	\$ -	\$ -

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

ABERDEEN SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Fed. Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 60,121
Child nutrition cluster:		
School breakfast program	10.553	231,662
National school lunch program	10.555	561,540
Total child nutrition cluster		<u>793,202</u>
Child and adult care food program	10.558	29,164
Total U.S. Department of Agriculture		<u>882,487</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	41,056
Total U.S. Department of Defense		<u>41,056</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.xxx	136,359
Total Federal Communications Commission		<u>136,359</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	696,462
Safe and drug-free schools and communities - state grants	84.186	15,440
Eisenhower professional development state grants	84.281	22,682
Twenty-first century community learning centers	84.287	159,810
State grants for innovative programs	84.298	5,114
Education technology state grants	84.318	2,670
Teacher quality enhancement grants	84.336	240
Rural education	84.358	40,923
Improving teacher quality state grants	84.367	180,999
Grants for state assessments and related activities	84.369	130
Total		<u>1,124,470</u>
Special education cluster:		
Special education - grants to states	84.027	428,199
Special education - preschool grants	84.173	33,178
Total special education cluster		<u>461,377</u>
Total passed-through Mississippi Department of Education		<u>1,585,847</u>
Total U.S. Department of Education		<u>1,585,847</u>
Total for All Federal Awards		<u>\$ 2,645,749</u>

Notes to schedule

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

Aberdeen School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,537,396	\$ 7,874,040	\$ 663,014	\$ 779,848	\$ 1,220,494
Other	<u>3,874,535</u>	<u>903,067</u>	<u>175,078</u>	<u>74,677</u>	<u>2,721,713</u>
Total	<u>14,411,931</u>	<u>8,777,107</u>	<u>838,092</u>	<u>854,525</u>	<u>3,942,207</u>
Total number of students	<u>1,567</u>				
Cost per student	<u>\$ 9,197</u>	<u>\$ 5,601</u>	<u>\$ 535</u>	<u>\$ 545</u>	<u>\$ 2,516</u>

**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

ABERDEEN SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

ABERDEEN SCHOOL DISTRICT

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

Superintendent and School Board  
Aberdeen School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Aberdeen School District as of and for the year ended June 30, 2007, which collectively comprise Aberdeen School District's basic financial statements and have issued our report thereon dated November 15, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Aberdeen School District  
Report on Compliance and Internal Controls

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of 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.

  
Cox & Palmer  
November 15, 2007

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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  
Aberdeen School District

Compliance

We have audited the compliance of the Aberdeen 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, 2007. 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 of the school district's compliance with those requirements.

In our opinion, Aberdeen 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, 2007.

MEMBER

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Aberdeen School District  
Report on Compliance and Internal Controls

Internal Control Over Compliance

The management of the Aberdeen 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the school board and management, others within the entity, 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.

  
Cox & Palmer  
November 15, 2007

ABERDEEN SCHOOL DISTRICT

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

ABERDEEN SCHOOL DISTRICT

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

Superintendent and School Board  
Aberdeen School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Aberdeen School District as of and for the year ended June 30, 2007, which collectively comprise Aberdeen School District's basic financial statements and have issued our report thereon dated November 15, 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)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$18,400 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

MEMBER

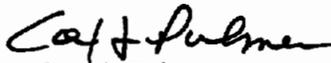
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Aberdeen School District  
Report on State Laws and Regulations

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 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.



Cox & Palmer  
November 15, 2007

ABERDEEN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ABERDEEN SCHOOL DISTRICT

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ABERDEEN SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |    |   |                      |
|----|---|----------------------|
| 1. | Type of auditor's report issued on the financial statements:                              | <u>Unqualified</u>   |
| 2. | Material noncompliance relating to the financial statements?                              | <u>No</u>            |
| 3. | Internal control over financial reporting:  |                      |
| a. | Material weakness(es) identified?   | <u>No</u>            |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>None Reported</u> |

**Federal Awards:**

- |    |  |                      |
|----|--|----------------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:  | <u>Unqualified</u>   |
| 5. | Internal control over major programs:  |                      |
| a. | Material weakness(es) identified?  | <u>No</u>            |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses?  | <u>None Reported</u> |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | <u>No</u>            |
| 7. | Federal programs identified as major programs:   |                      |
| a. | Special Education Cluster:<br>CFDA # 84.027 – Special Education – Grants to States<br>CFDA # 84.173 – Special Education – Preschool Grants |                      |
| b. | The Schools and Libraries Program of the Universal Service Fund:<br>CFDA # 32.XXX  |                      |
| c. | Improving Teacher Quality State Grants:<br>CFDA # 84.367   |                      |
| 8. | The dollar threshold used to distinguish between type A and type B Programs:   | <u>\$300,000</u>     |

Aberdeen School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

- |     |  |            |
|-----|--|------------|
| 9.  | Auditee qualified as a low-risk auditee?   | <u>Yes</u> |
| 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? | <u>No</u>  |

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.