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**KEMPER COUNTY SCHOOL DISTRICT**

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

KEMPER COUNTY SCHOOL DISTRICT

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KEMPER COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

# 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 THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Kemper 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 Kemper County School District as of and for the year ended June 30, 2007, which collectively comprise the Kemper County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the Kemper 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 Kemper County 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 March 19, 2008, on our consideration of the Kemper County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 30 through 33 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 Kemper 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  
March 19, 2008

KEMPER COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

## KEMPER COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2007

The discussion and analysis of Kemper County 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 \$513,955, which represents 11% decrease from fiscal year 2006.
- General revenues account for \$7,635,000 in revenue, or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,323,224 or 30% of total revenues.
- The District had \$11,473,757 in expenses; only \$3,323,224 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,635,000 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,248,316 in revenues and \$7,344,937 in expenditures and \$37,230 in other financing sources and uses. The General Fund's fund balance decreased (\$59,391) over the prior year. The decrease was a result of total expenditures outpacing total revenues.
- Capital assets, net of accumulated depreciation, decreased by \$179,481. This was a result of current year depreciation expense increasing at a greater rate than additions in purchases.
- Long-term debt decreased by \$138,126. The District issued no new debt during the fiscal year ending June 30, 2007.

#### 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 of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

## KEMPER COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2007

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

**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.

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

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

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each 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 can be found on pages 37 and 39, respectively, of this report.

KEMPER COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,168,381 as of June 30, 2007.

By far the largest portion of the District's net assets (73%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007, as compared to the fiscal year ended June 30, 2006:

	Current Year Governmental Activities	Prior Year Governmental Activities	Percentage Change
Current and other assets	\$ 1,635,055	2,277,525	-28.21%
Capital assets, net	4,910,056	5,089,537	-3.53%
Total assets	<u>6,545,111</u>	<u>7,367,062</u>	<u>-11.16%</u>
Current and other liabilities	431,966	601,836	-28.23%
Long-term debt outstanding	1,944,764	2,082,890	-6.63%
Total liabilities	<u>2,376,730</u>	<u>2,684,726</u>	<u>-11.47%</u>
Net assets:			
Invested in capital assets, net of related debt	3,050,056	3,104,537	-1.75%
Restricted	1,098,902	1,636,878	-32.87%
Unrestricted	19,423	-59,079	-132.88%
Total net assets	<u>\$ 4,168,381</u>	<u>4,682,336</u>	<u>-10.98%</u>

KEMPER COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007, were \$10,958,224. The total cost of all programs and services was \$11,473,757. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006, respectively:

	Current year Amount	Prior year Amount	Percentage Change
Program revenues:			
Charges for services	\$ 295,667	222,650	32.79%
Operating grants and contributions	3,027,557	3,218,233	-5.92%
General revenues:			
Property taxes	1,193,736	1,225,612	-2.60%
Grants and contributions not restricted	6,058,365	5,512,797	9.90%
Other	382,899	1,122,581	-65.89%
Total revenues	<u>10,958,224</u>	<u>11,301,873</u>	<u>-3.04%</u>
Expenses:			
Instruction	6,233,073	6,161,610	1.16%
Support services	4,131,341	3,865,938	6.87%
Non-instructional	887,044	723,083	22.68%
Sixteenth section	107,317	49,120	118.48%
Interest and other expenses on long-term liabilities	112,470	115,820	-2.89%
	2,512		
Total expenses	<u>11,473,757</u>	<u>10,915,571</u>	<u>5.11%</u>
Decrease in net assets	<u>\$ -515,533</u>	<u>386,302</u>	<u>-233.45%</u>

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

	2007		2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 6,233,073	(4,797,023)	6,161,610	(4,620,780)
Support services	4,131,341	(3,070,883)	3,865,938	(3,013,794)
Non-instructional	887,044	(98,298)	723,083	103,176
Sixteenth section	107,317	(69,347)	49,120	(49,120)
Interest and other expenses on long-term liabilities	112,470	(112,470)	115,820	105,830
Other debt service	2,512	(2,512)		
Total expenses	<u>\$ 11,473,757</u>	<u>(8,150,533)</u>	<u>10,915,571</u>	<u>(7,474,688)</u>

- Net cost of governmental activities (\$8,150,533), was financed by general revenue, which is made up of primarily property taxes (\$1,193,736), state revenue (\$5,911,346) and federal revenues (\$147,019), sixteenth section sources (\$287,270), investment earnings (\$31,795), and other (\$63,834).

## KEMPER COUNTY SCHOOL DISTRICT

### Management's Discussion and Analysis For the Year Ended June 30, 2007

#### 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 \$1,226,395, an decrease of \$516,458, due primarily to slight increases during the year of normal expenditures over ongoing revenues. \$374,284 or 31% 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 \$852,111 or 69% 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 (\$59,391). The decrease was a result of total expenses outpacing total revenues. Among other major funds, the Reading First Grant Fund and the Sixteenth Section Principal Fund reported no changes and the Other Governmental Funds decreased (\$457,067) for the fiscal year ending June 30, 2007. Other Governmental Funds decreased primarily due to operating expenditures being more than revenue received for the fiscal year.

#### BUDGETARY HIGHLIGHTS

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

- At the time the original budget was prepared Capital Projects were not considered until after the school year had begun. The District had a roof to collapse at an elementary building which demanded immediate repair. Capital Project expenditures are one reason for the increase on the District's final revised budget.
- Also, at the time the original budget was prepared the School District had not been awarded a couple of grants until after the school year began. The additional funds allowed for after school hours and weekend for certain certified staff. This was the reason for both the increase to Instructional Staff Expenditures and Federal Revenue.
- Sixteenth Section Revenue decreased significantly on the District's final revised budget compared to original budget. The District was unable to entertain a number of timber sales as originally planned due to the declining timber market.
- The District also had an increase in Operation and Plant Maintenance and Instruction Expenses over original budget due to corrections that were required to be made to come into compliance with State Accreditation Standards.

**KEMPER COUNTY SCHOOL DISTRICT**

Management's Discussion and Analysis  
For the Year Ended June 30, 2007

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$8,158,260, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents a decrease of \$12,238 from the previous year. The majority of this decrease was a result of furniture and equipment purchases of \$38,323, and the purchase of mobile equipment for \$60,458, and the retirement of \$48,349 of mobile equipment and furniture and equipment of \$38,194. Completed construction resulted in an adjustment of \$623,927 made to construction in progress to reclassify as buildings. The total accumulated depreciation as of June 30, 2007, was \$3,248,204 and total depreciation expense for the year was \$228,551 resulting in total net capital assets of \$4,910,056.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 25,410	25,410	0.00%
Construction in progress		623,927	-100.00%
Buildings	4,413,159	3,900,165	13.15%
Improvements other than buildings		38,425	-100.00%
Mobile equipment	241,425	281,658	-14.28%
Furniture and equipment	230,062	219,952	4.60%
<b>Total</b>	<b>\$ 4,910,056</b>	<b>5,089,537</b>	<b>-3.53%</b>

**Debt Administration.** At June 30, 2007, the District had \$1,860,000 in limited obligation bonds, and \$29,403 in other loans, of which \$136,761 is due within one year.

	Outstanding Debt		Percentage Change
	2007	2006	
Limited obligation bonds payable	\$ 1,860,000	1,985,000	-6.30%
Other loans payable	29,403	41,164	-28.60%
Compensated absences payable	55,361	56,726	-2.41%
<b>Total</b>	<b>\$ 1,944,764</b>	<b>2,082,890</b>	<b>-6.63%</b>

**CURRENT ISSUES**

The Kemper 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 rate has increased 2 mills over 3 years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound financial management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase by 48 students. The budget for the next fiscal year has taken into account this increase 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 Kemper County School District, P.O. Box 219, DeKalb, MS, 39328.

KEMPER COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

KEMPER COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	914,053
Cash with a fiscal agent	\$ 34,090
Due from other governments	501,724
Other receivables, net	308
Inventories and prepaid items	25,478
Restricted assets	159,402
Capital assets, net of accumulated depreciation:	
Land	25,410
Buildings	4,413,159
Mobile equipment	241,425
Furniture and equipment	230,062
Total Assets	<u>6,545,111</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	20,312
Construction contracts and retainage payable	5,000
Deferred revenue/Unearned revenue	15,618
Due to agency funds	367,730
Interest payable on long-term liabilities	23,306
Long-term liabilities, due within one year	
Capital related liabilities	135,000
Non-capital related liabilities	11,761
Long-term liabilities, due beyond one year	
Capital related liabilities	1,725,000
Non-capital related liabilities	73,003
Total Liabilities	<u>2,376,730</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	3,050,056
Restricted net assets:	
Expendable:	
School-based activities	220,938
Debt service	29,821
Capital improvements	54
Forestry improvements	202,123
Unemployment benefits	28,066
Non-expendable:	
Sixteenth section	617,900
Unrestricted	19,423
Total Net Assets	<u>\$ 4,168,381</u>

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

Kemper County School District  
Statement of Activities  
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 6,233,073	136,604	1,299,446	(4,797,023)
Support services	4,131,341		1,060,458	(3,070,883)
Non-instructional	887,044	121,093	667,653	(98,298)
Sixteenth section	107,317	37,970		(69,347)
Interest on long-term liabilities	112,470			(112,470)
Other Debt Service	2,512			(2,512)
<b>Total Governmental Activities</b>	<b>\$ 11,473,757</b>	<b>295,667</b>	<b>3,027,557</b>	<b>(8,150,533)</b>
<b>General Revenues:</b>				
<b>Taxes:</b>				
				1,189,258
				4,478
<b>Unrestricted grants and contributions:</b>				
				5,911,346
				147,019
				31,795
				287,270
				63,834
				<u>7,635,000</u>
				<u>(515,533)</u>
				4,682,336
				<u>1,578</u>
				<u>4,683,914</u>
				<u>\$ 4,168,381</u>

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

KEMPER COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2007

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Reading First Grant Fund	16th Section Principal Fund		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 426,600		159,402	487,453	1,073,455
Cash with fiscal agents				34,090	34,090
Due from other governments	131,614	123,669		246,441	501,724
Lease receivable, net				308	308
Due from other funds	257,572			44,130	301,702
Advance to other funds			458,498		458,498
Inventories and prepaid items				25,478	25,478
<b>Total Assets</b>	<b>\$ 815,786</b>	<b>123,669</b>	<b>617,900</b>	<b>837,900</b>	<b>2,395,255</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 7,968			12,344	20,312
Contracts and retainage percentage payable				5,000	5,000
Due to other funds	329,897	123,669		215,866	669,432
Advances from other funds	458,498				458,498
Deferred revenue				15,618	15,618
<b>Total Liabilities</b>	<b>796,363</b>	<b>123,669</b>	<b>0</b>	<b>248,828</b>	<b>1,168,860</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Advances			458,498		458,498
Unemployment benefits				28,066	28,066
Inventory				25,479	25,479
Forestry improvements				202,123	202,123
Debt service				137,891	137,891
<b>Unreserved:</b>					
<b>Designated, reported in:</b>					
For capital projects				54	54
<b>Undesignated, reported in:</b>					
General Fund	19,423				19,423
Special Revenue Funds				195,459	195,459
Permanent Funds			159,402		159,402
<b>Total Fund Balances</b>	<b>19,423</b>	<b>0</b>	<b>617,900</b>	<b>589,072</b>	<b>1,226,395</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 815,786</b>	<b>123,669</b>	<b>617,900</b>	<b>837,900</b>	<b>2,395,255</b>

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

KEMPER COUNTY SCHOOL DISTRICT

Exhibit C-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,226,395
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 7/1/2007.	5,089,537
Plus capital outlay expenditures made during the year	98,781
Less prior period adjustment for depreciation	(38,425)
Less depreciation expense recorded during year	(228,551)
Less net book value of capital assets sold during year	<u>(11,286)</u>
	4,910,056
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,944,764)
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>(23,306)</u>
Total Net Assets - Governmental Activities	\$ <u>4,168,381</u>

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

KEMPER COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
June 30, 2007

Exhibit D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Reading First Grant Fund	16th Section Principal Fund		
<b>Revenues:</b>					
Local sources	\$ 1,384,929			104,245	1,489,174
State sources	5,695,568			522,409	6,217,977
Federal sources	167,819	464,145		2,235,980	2,867,944
Sixteenth section sources			20,487	331,327	351,814
Total Revenues	<u>7,248,316</u>	<u>464,145</u>	<u>20,487</u>	<u>3,193,961</u>	<u>10,926,909</u>
<b>Expenditures:</b>					
Instruction	4,509,827	434,021		1,266,278	6,210,126
Support services	2,810,134	30,124		1,146,940	3,987,198
Noninstructional services	5,731			779,585	785,316
Sixteenth section				107,317	107,317
Facilities acquisition and construction				132,982	132,982
Debt service:					
Principal				136,761	136,761
Interest	19,245			93,225	112,470
Other				2,512	2,512
Total Expenditures	<u>7,344,937</u>	<u>464,145</u>	<u>0</u>	<u>3,665,600</u>	<u>11,474,682</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(96,621)</u>	<u>0</u>	<u>20,487</u>	<u>(471,639)</u>	<u>(547,773)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries				26,053	26,053
Sale of other property	5,262				5,262
Operating transfers in	2,302,836			1,733,442	4,036,278
Operating transfers out	(2,270,868)		(20,487)	(1,744,923)	(4,036,278)
Total Other Financing Sources (Uses)	<u>37,230</u>	<u>0</u>	<u>(20,487)</u>	<u>14,572</u>	<u>31,315</u>
Net Change in Fund Balances	<u>(59,391)</u>	<u>0</u>	<u>0</u>	<u>(457,067)</u>	<u>(516,458)</u>
<b>Fund Balances:</b>					
July 1, 2006, as previously reported	38,811		617,900	1,042,284	1,698,995
Prior period adjustments	<u>40,003</u>				<u>40,003</u>
July 1, 2006, as restated	<u>78,814</u>	<u>0</u>	<u>617,900</u>	<u>1,042,284</u>	<u>1,738,998</u>
Increase (Decrease) in reserve for inventory				3,855	3,855
June 30, 2007	<u>\$ 19,423</u>	<u>0</u>	<u>617,900</u>	<u>589,072</u>	<u>1,226,395</u>

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

KEMPER COOUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (516,458)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expncs in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	98,781
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the Statement of Activities.	(228,551)
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital asses increase financial resources. Thus, the change in net assets differs from the change in fund balances by the following item: Disposed of capital assets	(11,286)
4. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	136,761
5. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the following item: Compensated absences increased (incr) decr	1,365
6. Increase in inventory is reported as an adjustment to fund balance in the Governmental Funds, but noninstructional expenditures are decreased in the Statement of Activities.	<u>3,855</u>
Change in Net Assets of Governmental Activities	\$ <u>(515,533)</u>

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

KEMPER COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Asset and Liability Balances – Agency Funds  
June 30, 2007

	<u>Amount</u>
<b>ASSETS</b>	
Cash	\$ 100,672
Due from other funds	<u>367,730</u>
Total Assets	<u>\$ 468,402</u>
<b>LIABILITIES</b>	
Accrued payroll	\$ 262,433
Salary benefits and withholdings payable	189,494
Due to student groups	16,205
Other payables	<u>270</u>
Total Liabilities	<u>\$ 468,402</u>

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

KEMPER COUNTY 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 a "primary government." The school district is governed by a five-member board to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

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

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

*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.

## KEMPER COUNTY SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

**Reading First Fund** - This is a special revenue fund that is used to ensure proper disbursement of, and accounting for, Reading First revenues received by the District.

**Sixteenth Section Principal Fund** - This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expendable by the school district.

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.

**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.

KEMPER COUNTY SCHOOL DISTRICT

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

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.

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.

KEMPER COUNTY 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.

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. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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.

KEMPER COUNTY SCHOOL DISTRICT

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

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.

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 advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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 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.

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.

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.

KEMPER COUNTY SCHOOL DISTRICT

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

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.

(2) Cash and Cash Equivalents and Cash with Fiscal Agents.

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,073,455 and \$100,672, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$914,053 and restricted assets - \$159,402. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) in the amount of \$159,402 which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$1,971,173.

KEMPER COUNTY SCHOOL DISTRICT

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

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 institution's 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 \$1,971,173 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$34,090.

(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	\$ 257,572	329,897
Reading First Grant Fund		123,669
Other Governmental funds	44,130	215,866
Total Governmental Funds	<u>301,702</u>	<u>669,432</u>
Fiduciary Funds	367,730	-
Total All Funds	<u>\$ 669,432</u>	<u>669,432</u>

The purpose of the interfund receivables and payables is to close out federal program funds at year-end. All interfund receivables and payables are expected to be repaid within one year.

B. Advances From/To Other Funds:

	<u>Advances from</u>	<u>Advances to</u>
General Fund	\$ 458,498	
Sixteenth Section Principal Fund		\$ 458,498

KEMPER COUNTY SCHOOL DISTRICT

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

Sixteenth Section loans payable:

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

Year Ending		Principal	Interest	Total
30-Jun				
2008	\$	43,193	17,554	60,747
2009		44,953	15,794	60,747
2010		46,785	13,963	60,748
2011		48,691	12,056	60,747
2012		50,674	10,073	60,747
2013-2016		224,202	18,786	242,988
Total	\$	458,498	88,226	546,724

The purpose of the advance was for construction costs associated with the HVAC and roofing project.

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

C. Transfers In/Out:

	Transfers in	Transfers out
General Fund	\$ 2,302,836	2,270,868
16th Section Principal Fund		20,487
Other Governmental funds	1,733,442	1,744,923
Total Funds	\$ 4,036,278	4,036,278

The purpose of the interfund transfers is to transfer federal program indirect cost and expendable sixteenth section funds to the General Fund and to close out federal program funds at year-end. These transfers are consistent with the activities of the fund making the transfer.

KEMPER COUNTY 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:

	Balance July 1, 2006	Additions	Deletions	Completed Construction & Adjustments	Balance June 30, 2007
<u>Non-depreciable Capital Assets:</u>					
Land	\$ 25,410				25,410
Construction in progress	623,927	0		(623,927)	
Total non-depreciable capital assets	649,337	0	0	(623,927)	25,410
<u>Depreciable Capital Assets:</u>					
Buildings	5,803,571			623,927	6,427,498
Improvements other than buildings	38,425				38,425
Mobile equipment	1,211,416	60,458	(48,349)		1,223,525
Furniture and equipment	443,273	38,323	(38,194)		443,402
Total depreciable capital assets	7,496,685	98,781	(86,543)	623,927	8,132,850
<u>Less: Accumulated depreciation for:</u>					
Buildings	1,903,406	110,933			2,014,339
Improvements other than buildings				38,425	38,425
Mobile equipment	929,758	89,787	(37,445)		982,100
Furniture and equipment	223,321	27,831	(37,812)		213,340
Total accumulated depreciation	3,056,485	228,551	(75,257)	38,425	3,248,204
Total depreciable capital assets, net	4,440,200	(129,770)	(11,286)	585,502	4,884,646
Governmental activities capital assets, net	\$ 5,089,537	(129,770)	(11,286)	(38,425)	4,910,056

Depreciation expense was charged to the following governmental functions:

Instruction	\$ 25,352
Support services	97,862
Non-instructional	105,337
Total Depreciation Expense	\$ 228,551

(5) Long-term Liabilities.

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

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,985,000		125,000	1,860,000	135,000
B. Other loans payable	41,164		11,761	29,403	11,761
C. Compensated absences payable	56,726		1,365	55,361	
Total	\$ 2,082,890	0	138,126	1,944,764	146,761

KEMPER COUNTY SCHOOL DISTRICT

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

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 Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds	Varies	4/1/1998	4/1/2018	\$ 2,600,000	1,860,000
Total				\$ 2,600,000	1,860,000

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2008	\$ 135,000	85,725	220,725
2009	140,000	77,625	217,625
2010	145,000	71,325	216,325
2011	155,000	64,800	219,800
2012	160,000	57,825	217,825
2013-2017	915,000	174,600	1,089,600
2018	210,000	9,450	219,450
Total	\$ 1,860,000	541,350	2,401,350

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

B. Other Loans Payable.

The school district has issued debt instruments granted under the authority of Sections 37-59-101, Miss. Code Ann. (1972).

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>
Asbestos loan	N/A	5/14/1990	5/14/2010	\$ 211,700	\$ 29,403

KEMPER COUNTY SCHOOL DISTRICT

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

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Maintenance Charges</u>	<u>Total</u>
2008	\$ 11,761		11,761
2009	11,761		11,761
2010	5,881		5,881
Total	\$ <u>29,403</u>	<u>0</u>	<u>29,403</u>

This debt will be retired from Debt Service Fund # 4023 – Asbestos loan 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.

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 \$711,557, \$637,080 and \$585,584, respectively, which equaled the required contributions for each year.

KEMPER COUNTY SCHOOL DISTRICT

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

(7) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 48,013
2009	41,320
2010	36,659
2011	28,599
2012	24,219
2013-2017	120,895
2018-2022	120,595
2023-2027	110,123
2028-2032	65,660
Thereafter	<u>145,712</u>
Total	<u>\$ 741,795</u>

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1 Interest income not recorded in the prior fiscal year	\$ 40,003
2 Prior year depreciation expense was underreported	<u>(38,425)</u>
Total prior period adjustments	<u>\$ 1,578</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Interest income not recorded in the prior fiscal year	\$ 40,003

KEMPER COUNTY SCHOOL DISTRICT

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

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as provided 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 \$1,000,000. For a claim exceeding \$1,000,000, MSBAWCT has insurance which will pay the excess 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.

KEMPER COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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
<b>Revenues:</b>					
Local sources	\$ 1,526,742	1,384,929	1,384,929	(141,813)	
State sources	5,680,963	5,695,568	5,695,568	14,605	
Federal sources	166,231	167,819	167,819	1,588	
Total Revenues	<u>7,373,936</u>	<u>7,248,316</u>	<u>7,248,316</u>	<u>(125,620)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	4,560,560	4,509,827	4,509,827	50,733	
Support services	2,899,220	2,810,134	2,810,134	89,086	
Noninstructional services	5,731	5,731	5,731		
<b>Debt service:</b>					
Principal	21,120	19,245		1,875	(19,245)
Interest			19,245		19,245
Total Expenditures	<u>7,486,631</u>	<u>7,344,937</u>	<u>7,344,937</u>	<u>141,694</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(112,695)</u>	<u>(96,621)</u>	<u>(96,621)</u>	<u>16,074</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Sale of other property		5,262	5,262	5,262	
Operating transfers in	808,949	2,302,835	2,302,836	1,493,886	1
Operating transfers out	(670,180)	(2,270,868)	(2,270,868)	(1,600,688)	
Total Other Financing Sources (Uses)	<u>138,769</u>	<u>37,229</u>	<u>37,230</u>	<u>(101,540)</u>	<u>1</u>
Net Change in Fund Balances	<u>26,074</u>	<u>(59,392)</u>	<u>(59,391)</u>	<u>(85,466)</u>	<u>1</u>
<b>Fund Balances:</b>					
July 1, 2005	37,396	38,811	38,811	1,415	0
Prior period adjustments			40,003	0	40,003
July 1, 2006, as restated	<u>37,396</u>	<u>38,811</u>	<u>78,814</u>	<u>1,415</u>	<u>40,003</u>
June 30, 2006	\$ <u>63,470</u>	<u>(20,581)</u>	<u>19,423</u>	<u>(84,051)</u>	<u>40,004</u>

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

KEMPER COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Reading First Grant Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 400,000	464,145	464,145	64,145	
Total Revenues	<u>400,000</u>	<u>464,145</u>	<u>464,145</u>	<u>64,145</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	441,513	434,021	434,021	7,492	
Support services	37,405	30,124	30,124	7,281	
Total Expenditures	<u>478,918</u>	<u>464,145</u>	<u>464,145</u>	<u>14,773</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(78,918)</u>	<u>0</u>	<u>0</u>	<u>78,918</u>	<u>0</u>
Net Change in Fund Balances	<u>(78,918)</u>	<u>0</u>	<u>0</u>	<u>78,918</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2005	<u>79,081</u>	<u>0</u>	<u>0</u>	<u>(79,081)</u>	<u>0</u>
June 30, 2006	<u>\$ 163</u>	<u>0</u>	<u>0</u>	<u>(163)</u>	<u>0</u>

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

KEMPER COUNTY 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.

KEMPER COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Federal Grantor/ Pass through Grantor/ Program Title	Catalog of Federal 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	55,662
Total non-cash assistance		55,662
Child nutrition cluster:		
School breakfast program	10.553	217,138
National school lunch program	10.555	431,562
Summer food service program for children	10.559	38,916
Total child nutrition cluster		687,616
Total U.S. Department of Agriculture		743,278
<u>U.S. Department of Education</u>		
Passed through the Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	735,618
Vocational education - basic grants to states	84.048	24,854
Safe and drug free schools and communities - state grants	84.186	12,900
Eisenhower professional development state grants	84.281	148,514
Education technology state grants	84.318	3,596
Transition to teaching grant	84.350	80
Reading first state grants	84.357	464,145
Rural education	84.358	38,236
State grants for innovative programs	84.298	2,230
State assessments and related activities grant	84.369	7,211
Total		1,437,384
Special education cluster:		
Special education grants to states	84.027	266,686
Special education preschool grants	84.173	5,137
Total special education cluster		271,823
Total passed through the Mississippi Department of Education		2,452,485
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	51,018
Total U.S. Department of Defense		51,018
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	55,664
Total Federal Communications Commission		55,664

KEMPER COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2006

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Education</u>		
Direct Program		
Literacy through school libraries	84.364	247,692
Total		<u>247,692</u>
Total U.S. Department of Education		<u>354,374</u>
Total for All Federal Awards		<u>\$ 2,806,859</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.
4. The balance outstanding at June 30, 2007, of the loan received in a previous fiscal year under former CFDA #66.702 for asbestos removal was \$29,403.

KEMPER COUNTY 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	\$ 8,603,933	6,253,528	503,310	509,453	1,337,642
Other	2,870,750	972,783	147,228	36,860	1,713,878
<b>Total</b>	<b>\$ 11,474,682</b>	<b>7,226,311</b>	<b>650,538</b>	<b>546,313</b>	<b>3,051,520</b>
Total number of students	1,306	1,306	1,306	1,306	1,306
Cost per Student	\$ 8,786	5,533	498	418	2,337

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

KEMPER 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  
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2007, which collectively comprise the Kemper County School District's basic financial statements and have issued our report thereon dated March 19, 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 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 school district'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 school district'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 material misstatement of the financial statements will not be prevented or detected by the school district'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 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, others within the entity, entities with accreditation oversight, 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  
March 19, 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  
Kemper County School District

Compliance

We have audited the compliance of the Kemper 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, 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 on the school district's compliance with those requirements.

In our opinion, Kemper 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, 2007.

### Internal Control Over Compliance

The management of the Kemper 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, 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 program 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.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
March 19, 2008

# Windham and Lacey, PLLC

*Certified Public Accountants*

---

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

Superintendent and School Board  
Kemper County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Kemper County School District as of and for the year ended June 30, 2007, which collectively comprise Kemper County School District's basic financial statements and have issued our report thereon dated March 19, 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)(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 \$7,650 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 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.

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.

*Windham and Lacey, PLLC*

Windham and Lacey, PLLC  
March 19, 2008

KEMPER COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

KEMPER COUNTY SCHOOL DISTRICT

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

Section I: 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 weaknesses identified?   | No          |
| b. | Reportable conditions 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 weaknesses identified?  | No          |
| b. | Reportable conditions identified that are not considered to be material weaknesses?  | No          |
| 6. | Any audit findings 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<br>Summer food service program for children, CFDA #10.559 |             |
| b. | Title II - Eisenhower professional development state grants,<br>CFDA #84.281   |             |
| 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         |

KEMPER COUNTY SCHOOL DISTRICT

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

10. Prior fiscal year audit findings 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

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.