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LAFAYETTE COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2007

YG

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LAFAYETTE COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2007

LAFAYETTE COUNTY SCHOOL DISTRICT
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LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT



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

Superintendent and School Board
Lafayette 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 Lafayette County School District as of and for the year ended June 30, 2007, which collectively comprise the Lafayette County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lafayette County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette 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 September 15, 2008, on our consideration of the Lafayette 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 our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedules and corresponding notes on pages 51 through 55 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 Lafayette 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.

Young & Garrett

September 15, 2008

LAFAYETTE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The discussion and analysis of Lafayette 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 increased \$758,143, which represents 10% increase from fiscal year 2006.

General revenues account for \$17,823,236 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,154,485 or 19% of total revenues.

The District had \$21,219,578 in expenditures; only \$4,154,485 of these expenditures were offset by program specific charges for services, grants and contributions. General revenues of \$17,823,236 were adequate to provide for these programs.

Among major funds, the General Fund had \$16,523,040 in revenues and \$15,891,902 in operating expenditures. The General Fund's fund balance decreased \$177,791 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$549,349.

Long-term debt decreased by \$1,067,806.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

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, comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements is useful. 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 issued by the Mississippi Department of Education. 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 has two fiduciary funds. These are reported in Exhibit E.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

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 on pages 28 through 49 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 51 through 55 of this report.

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 page 57 of this report.

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 \$8,382,985 as of June 30, 2007.

The largest portion of the District's net assets is those net assets restricted for debt service. The District is committed to maintaining a sufficient cash balance to meet payments of interest and principal as they become due.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

The following table presents a summary of the District's net assets for the fiscal years ending June 30, 2007 and 2006, respectively:

	JUNE 30, 2007	JUNE 30, 2006	PERCENT CHANGE OVER PRIOR YEAR
Current Assets	\$ 4,091,467	\$ 5,267,467	-22%
Capital Assets, Net	<u>22,808,849</u>	<u>22,259,500</u>	<u>2%</u>
Total Assets	\$ <u>26,900,316</u>	\$ <u>27,526,967</u>	<u>-2%</u>
Current Liabilities	\$ 601,877	\$ 918,865	-34%
Long-term Liabilities	<u>17,915,454</u>	<u>18,983,260</u>	<u>-5%</u>
Total Liabilities	\$ <u>18,517,331</u>	\$ <u>19,902,125</u>	<u>-7%</u>
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	\$ 5,553,849	\$ 4,078,935	36%
Restricted	2,304,303	2,776,684	-17%
Unrestricted	<u>524,833</u>	<u>769,223</u>	<u>-32%</u>
Total Net Assets	\$ <u>8,382,985</u>	\$ <u>7,624,842</u>	<u>10%</u>

The net effect of transactions involving capital assets was an increase in the amount of \$549,349. Depreciation expense for the year was \$519,149.

CHANGES IN NET ASSETS. The District's total revenues for the fiscal year ended June 30, 2007, were \$21,977,721. The total cost of all programs and services was \$21,219,578. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2007 and 2006, respectively:

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

	JUNE 30, <u>2007</u>	JUNE 30, <u>2006</u>	PERCENT CHANGE OVER <u>PRIOR YEAR</u>
Revenues:			
Program Revenues			
Charges for Services	\$ 1,367,045	\$ 1,111,854	23%
Operating Grants & Contributions	2,787,440	2,798,043	-1%
General Revenues			
Property Taxes	6,513,781	6,148,781	6%
Grants & Contributions, Not Restricted	10,996,398	10,141,026	8%
Unrestricted Investment Earning	128,790	276,106	-53%
Other	<u>184,267</u>	<u>187,868</u>	-2%
Total Revenues	\$ <u>21,977,721</u>	\$ <u>20,663,678</u>	6%
Expenditures:			
Instruction	\$ 12,541,631	\$ 11,455,463	9%
Support Services	6,889,052	6,385,149	8%
Non-instructional	1,049,861	960,888	9%
Interest on Long-term Debt and Other Cost of Long-term Debt	<u>739,034</u>	<u>861,506</u>	-14%
Total Expenditures	\$ <u>21,219,578</u>	\$ <u>19,663,006</u>	8%
Increase in Net Assets	\$ 758,143	\$ 1,000,672	-24%
Net Assets, July 1	<u>7,624,842</u>	<u>6,624,170</u>	15%
Net Assets, June 30	\$ <u>8,382,985</u>	\$ <u>7,624,842</u>	10%

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

GOVERNMENTAL ACTIVITIES. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, and interest and other expenditures on long-term debt for fiscal years ending June 30, 2007 and 2006. 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

	2007		2006	
	TOTAL		TOTAL	
	<u>EXPENDITURES</u>	<u>NET REVENUE</u>	<u>EXEPENDITURES</u>	<u>NET REVENUE</u>
Instruction	\$ 12,541,631	\$ (9,588,864)	\$ 11,455,463	\$ (8,614,917)
Support Service	6,889,052	(6,751,075)	6,385,149	(6,278,648)
Non-Instructional	1,049,861	13,880	960,888	1,962
Interest and Other				
Expenditures on Long-Term				
Liabilities	<u>739,034</u>	<u>(739,034)</u>	<u>861,506</u>	<u>(861,506)</u>
Total Expenditures	\$ <u>21,219,578</u>	\$ <u>(17,065,093)</u>	\$ <u>19,663,006</u>	\$ <u>(15,753,109)</u>

Net cost of governmental activities \$(17,065,093), was financed by general revenue, which is made up of primarily property taxes \$6,513,781 and unrestricted grants from state and federal governments \$10,996,398.

Investment earnings accounted for \$128,790 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,633,995, a decrease of \$864,213 over 2005-2006 due primarily to the cost of construction projects completed and in progress during the year. \$1,700,070 or 47% 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 \$1,933,925 or 53% is reserved or designated to indicate that it is not available for spending because the funds have already been committed. Of the reserved/designated balance, \$367,331, (19%), is reserved for capital improvements while \$1,474,981, (76%), is reserved for debt service. The remaining \$91,613 or 5% of the reserved fund balances consist of miscellaneous funds.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

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 \$177,791. This decrease was largely a result of inadequate revenue from the Mississippi Adequate Education Program. The inadequate revenue resulted in the consumption of the general fund balance. The capital projects fund balance decreased as payments were made on construction projects.

The following table is a comparison of the fund balances of the district on June 30, 2007 and 2006, respectively.

	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>
Major Funds:		
General	\$ 1,329,692	\$ 1,507,483
Special Revenue Funds	25,033	46,063
Capital Projects 2005 Fund	62,978	864,169
Debt Service Series 2002		
Bond Issue Fund	542,666	557,832
Debt Service MAEP		
Retirement Funds	501,136	464,111
Non-major Funds	<u>1,172,490</u>	<u>1,058,550</u>
Ending Fund Balance	\$ <u>3,633,995</u>	\$ <u>4,498,208</u>

BUDGETARY HIGHLIGHTS

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

As required supplemental information, the following schedule shows the original and final budget amounts compared to the actual financial activity of the District's governmental funds.

Revenues for state sources were increased from the original budget to the amended budget. The original budget contained estimates for state sources that were funded at a larger amount than anticipated.

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

Budget amounts for federal sources were increased as a result of additional grant awards. This resulted in expenditure increases also. The actual expenditures were less than budget. The final budget contains the exact amount of the federal grants. Differences between the final approved grants and actual expenditures are carried over to the next fiscal year.

The final budget amount for capital project expenditures equals the bid amount of the different projects. The actual expenditures represents the percentage completed during the 2006-2007 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS. As of June 30, 2007, the District's total capital assets were \$28,215,349, including land, construction-in-progress, school buildings, buses, other school vehicles and furniture and equipment. Construction-in-progress represents \$9,841,999 of this total. Total depreciable capital assets increased by \$223,445 from the previous year. This increase was largely due to the purchase of additional school buses and furniture for newly constructed buildings. Total accumulated depreciation as of June 30, 2007, was \$5,406,500, and total depreciation expense for the year was \$519,149, resulting in total net assets of \$22,808,849.

	<u>CAPITAL ASSETS, NET OF DEPRECIATION</u>		<u>PERCENT CHANGE</u>
	<u>2007</u>	<u>2006</u>	<u>OVER PRIOR PERIOD</u>
Land	\$ 436,877	\$ 436,877	0%
Construction in Progress	9,841,999	9,026,646	9%
Buildings	9,318,308	9,556,508	-2%
Building Improvements	2,098,859	2,190,113	-4%
Improvements Other Than Building	66,836	70,168	-5%
Mobile Equipment	867,119	873,909	-1%
Furniture and Equipment	<u>178,851</u>	<u>105,279</u>	70%
Total	\$ <u>22,808,849</u>	\$ <u>22,259,500</u>	2%

Additional information of the District's capital assets can be found in Note 4 of this report.

DEBT ADMINISTRATION. At June 30, 2007, the District had \$17,915,454 in general obligation bonds and other long-term debt outstanding, of which \$1,384,490 is due within one year.

LAFAYETTE COUNTY SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 - Continued -

	<u>OUTSTANDING DEBT</u>		<u>PERCENT CHANGE</u>
	<u>2007</u>	<u>2006</u>	<u>OVER PRIOR PERIOD</u>
General Obligation Bonds Payable	\$ 16,005,000	\$ 16,775,000	-5%
Limited Obligation Bonds Payable	1,250,000	1,470,000	-15%
Three Mill Notes Payable	255,000	233,000	9%
Obligations Under Energy			
Efficiency Lease	212,633	299,629	-29%
Compensated Absences Payable	<u>192,821</u>	<u>205,631</u>	-6%
Total	\$ <u>17,915,454</u>	\$ <u>18,983,260</u>	-6%

The District maintains a AAA bond rating.

Additional information of the District's long-term debt can be found in Note 5 of this report.

CURRENT ISSUES

The Lafayette 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 while practicing fiscal restraint for many years. Due to adequate funding of the Mississippi Adequate Education Program by the Mississippi Legislature for the 2008 fiscal year, the local ad valorem tax levy was reduced. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Student enrollment continues to rise in the district. This increase has created a need for additional space. The new elementary school construction was completed during fiscal year 2007; however, the contract closing is projected to occur during the first part of fiscal year 2008. As individual classes progress through our district, they will demand future expansion of the high school in order to accommodate the volume of students. The elementary students of today will be high school students ten years from now. We must begin preparing now to avoid future debt incurrence.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Central Office of the Lafayette County School District, 100 Commodore Drive, Oxford, MS 38655.

LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - EXHIBIT A
June 30, 2007

GOVERNMENTAL
ACTIVITIES

ASSETS

Cash and Cash Equivalents	\$ 2,954,143
Investments	348,955
Due from Other Governments	698,817
Other Receivables, Net	9,478
Inventories	21,783
Deferred Charges	58,291
Capital Assets-Non-Depreciable	
Land	436,877
Construction in Progress	9,841,999
Capital Assets, Net of Accum. Depreciation	
Buildings	9,318,308
Building Improvements	2,098,859
Improvements Other than Buildings	66,836
Mobile Equipment	867,119
Furniture and Equipment	<u>178,851</u>

TOTAL ASSETS 26,900,316

LIABILITIES

Accounts Payable and Accrued Liabilities	389,773
Unearned Revenue	9,408
Interest Payable on Long-term Liabilities	202,696
Long-Term Liabilities (Due within one year)	
Capital Related	1,025,000
Non-capital Related	359,490
Long-Term Liabilities (Due beyond one year)	
Capital Related	16,230,000
Non-capital Related	<u>300,964</u>

TOTAL LIABILITIES 18,517,331

NET ASSETS

Investments in Capital Assets (Net of Related Debt)	5,553,849
Restricted Net Assets:	
Expendable:	
School - Based Activities	392,162
Debt Service	1,474,981
Capital Improvements	367,331
Unemployment Benefits	69,829
Unrestricted	<u>524,833</u>

TOTAL NET ASSETS 8,382,985

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 STATEMENT OF NET ACTIVITIES - EXHIBIT B
 For the Year Ended June 30, 2007

NET (EXPENSE) REVENUE
 AND CHANGES IN NET
ASSETS

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities:				
Instruction	\$ 12,541,631	\$ 1,013,066	\$ 1,939,701	\$ (9,588,864)
Support Services	6,889,052	-0-	137,977	(6,751,075)
Noninstructional Services	1,049,861	353,979	709,762	13,880
Interest on Long-Term Debt	<u>739,034</u>	<u>-0-</u>	<u>-0-</u>	<u>(739,034)</u>
Total Governmental Activities	\$ <u>21,219,578</u>	\$ <u>1,367,045</u>	\$ <u>2,787,440</u>	\$ <u>(17,065,093)</u>

General Revenues:			
Taxes:			
Property Taxes - General Purposes			4,895,339
Property Taxes - Debt Service			1,618,442
Unrestricted Grants and Contributions:			
State			10,737,326
Federal			259,072
Unrestricted Investment Earnings			128,790
Other			<u>184,267</u>
Total General Revenues			<u>17,823,236</u>
Change in Net Assets			758,143
Net Assets - Beginning			<u>7,624,842</u>
Net Assets - Ending			\$ <u>8,382,985</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C
 June 30, 2007

	MAJOR FUNDS									
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE I-BASIC FUND	HOMELESS CHILDREN & YOUTH FUND	CAPITAL PROJECTS 2005 FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
ASSETS										
Cash and Cash Equivalents	\$ 752,508	\$ 76,786	\$ -0-	\$ -0-	\$ 401,163	\$ 527,292	\$ -0-	\$ 1,196,394	\$ 2,954,143	
Investments	-0-	-0-	-0-	-0-	-0-	-0-	348,955	-0-	348,955	
Due from Other Governments	279,920	-0-	73,379	88,604	-0-	15,374	152,181	89,359	698,817	
Other Receivables, Net	3,461	-0-	-0-	-0-	-0-	-0-	-0-	-0-	3,461	
Due from Other Funds	298,712	-0-	-0-	-0-	-0-	-0-	-0-	1,810	300,522	
Inventories	-0-	21,784	-0-	-0-	-0-	-0-	-0-	-0-	21,784	
Total Assets	<u>1,334,601</u>	<u>98,570</u>	<u>73,379</u>	<u>88,604</u>	<u>401,163</u>	<u>542,666</u>	<u>501,136</u>	<u>1,287,563</u>	<u>4,327,682</u>	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts Payable and Accrued Liabilities	-0-	-0-	-0-	-0-	338,185	-0-	-0-	51,588	389,773	
Due to Other Funds	184	73,537	73,379	88,604	-0-	-0-	-0-	58,802	294,506	
Deferred Revenue	4,725	-0-	-0-	-0-	-0-	-0-	-0-	4,683	9,408	
Total Liabilities	<u>4,909</u>	<u>73,537</u>	<u>73,379</u>	<u>88,604</u>	<u>338,185</u>	<u>-0-</u>	<u>-0-</u>	<u>115,073</u>	<u>693,687</u>	

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C
 June 30, 2007

	MAJOR FUNDS										TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE I - BASIC FUND	HOMELESS CHILDREN & YOUTH FUND	CAPITAL PROJECTS 2005 FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS				
Fund Balances:												
Reserved for:												
Inventory	\$ -0-	\$ 21,784	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 21,784
Capital Projects	-0-	-0-	-0-	-0-	62,978	-0-	-0-	-0-	-0-	304,353	-0-	367,331
Debt Service	-0-	-0-	-0-	-0-	-0-	542,666	501,136	431,179	-0-	-0-	-0-	1,474,981
Unemployment Benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-	69,829	-0-	-0-	-0-	69,829
Unreserved:												
Undesignated, Reported In:												
General Fund	1,329,692	3,249	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,332,941
Special Revenue Fund	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	367,129
Total Fund Balances	<u>1,329,692</u>	<u>25,033</u>	<u>-0-</u>	<u>-0-</u>	<u>62,978</u>	<u>542,666</u>	<u>501,136</u>	<u>1,172,490</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>3,633,995</u>
Total Liabilities and Fund Balance	<u>1,334,601</u>	<u>98,570</u>	<u>73,379</u>	<u>88,604</u>	<u>401,163</u>	<u>542,666</u>	<u>501,136</u>	<u>1,287,563</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,327,682</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - EXHIBIT C-1
June 30, 2007

Total Fund Balance - Governmental Funds \$ 3,633,995

Amounts Reported for Net Assets in the
Statement of Net Assets are Different Because:

Capital Assets are Used in Governmental Activities are
not Financial Resources and, therefore, are not
Reported in the Funds:

Capital Assets Net of Accumulated Depreciation as of 7-1-06	22,259,500	
Plus Capital Outlay Expenditures made During Year	1,069,347	
Less Depreciation Expense Recorded During Year	519,149	
Less Net Book Value of Capital Assets Disposals During Year	849	22,808,849

Long-term Liabilities are not Due and Payable in the Current Period
And, therefore, are not Reported in the Funds, as follows

Deferred Charges on Refunding Debt	58,291	
Long-term Liabilities	(17,915,454)	
Accrued Interest on Bonds	(202,696)	(18,059,859)

Total Net Assets - Governmental Activities \$ 8,382,985

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT D
For the Year Ended June 30, 2007

	MAJOR FUNDS										TOTAL GOVERNMENTAL FUNDS	
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE I - BASIC FUND	HOMELESS CHILDREN & YOUTH FUND	CAPITAL PROJECTS 2005 FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS				
REVENUES:												
Local Sources	\$ 5,557,967	\$ 358,404	\$ -0-	\$ -0-	\$ 18,584	\$ 522,476	\$ 11,523	\$ 1,622,089	\$ 8,091,043			
State Sources	10,645,811	5,020	-0-	-0-	-0-	-0-	304,362	513,155	11,468,348			
Federal Sources	319,262	704,742	331,101	89,695	-0-	-0-	-0-	866,089	2,310,889			
Total Revenues	16,523,040	1,068,166	331,101	89,695	18,584	522,476	315,885	3,001,333	21,870,280			
EXPENDITURES:												
Instruction	10,000,187	-0-	173,928	79,695	-0-	-0-	-0-	1,896,761	12,150,571			
Support Services	5,749,049	89,647	80,177	10,000	-0-	-0-	-0-	965,336	6,894,209			
Noninstructional Services	-0-	1,010,950	-0-	-0-	-0-	-0-	-0-	-0-	1,010,950			
Facilities Acquisition and Construction	42,036	-0-	-0-	-0-	819,775	-0-	-0-	136,978	998,789			
Debt Service:												
Principal	86,996	-0-	-0-	-0-	-0-	360,000	220,000	643,000	1,309,996			
Interest	13,634	-0-	-0-	-0-	-0-	151,290	58,310	514,003	737,237			
Other	-0-	-0-	-0-	-0-	-0-	1,940	550	4,507	6,997			
Total Expenditures	15,891,902	1,100,597	254,105	89,695	819,775	513,230	278,860	4,160,585	23,108,749			
Excess (Deficiency) of Revenues Over Expenditures	631,138	(32,431)	76,996	-0-	(801,191)	9,246	37,025	(1,159,252)	(1,238,469)			

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS - EXHIBIT D
 For the Year Ended June 30, 2007

	MAJOR FUNDS										TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE I- BASIC FUND	HOMELESS CHILDREN & YOUTH FUND	CAPITAL PROJECTS 2005 FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE RETIREMENT FUND	MAEP FUND	OTHER GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	
OTHER FINANCING SOURCES (USES):											
Proceeds of Loans	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 255,000	\$ -0-	\$ 255,000
Insurance Loss Recoveries	107,642	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	107,642
Sale of Transportation Equip.	213	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	213
Operating Transfers In	7,879	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,121,569	-0-	1,129,448
Operating Transfers Out	924,663	-0-	76,996	-0-	-0-	24,412	-0-	-0-	103,377	-0-	1,129,448
Total Other Financing Sources (Uses)	<u>(808,929)</u>	<u>-0-</u>	<u>(76,996)</u>	<u>-0-</u>	<u>-0-</u>	<u>(24,412)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,273,192</u>	<u>-0-</u>	<u>362,855</u>
Net Change in Fund Balances	(177,791)	(32,431)	-0-	-0-	(801,191)	(15,166)	37,025	113,940	113,940	(875,614)	
FUND BALANCES:											
July 1, 2006	1,507,483	46,063	-0-	-0-	864,169	557,832	464,111	1,058,550	1,058,550	4,498,208	
Increase in Reserve for Inventory	-0-	11,401	-0-	-0-	-0-	-0-	-0-	-0-	-0-	11,401	
June 30, 2007	<u>1,329,692</u>	<u>25,033</u>	<u>-0-</u>	<u>-0-</u>	<u>62,978</u>	<u>542,666</u>	<u>501,136</u>	<u>1,172,490</u>	<u>1,172,490</u>	<u>3,633,995</u>	

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - EXHIBIT D-1
For the Year Ended June 30, 2007

Net Change in Fund Balances - Governmental Funds \$ (875,614)

Amounts Reported for Governmental Activities in
the Statement of Activities are Different Because:

Capital Outlays are Reported as Expenditures in Governmental
Funds but are not Reported as Expenses in the Statement
of Activities. Instead, Costs Associated with Capital
Assets are Capitalized in the Statement of Net Assets. 1,069,347

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. (519,149)

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. (849)

The Issuance of Long-Term Debt Provides Current Financial
Resources to Governmental Funds, but the Issuance Increases
Long-Term Liabilities in the Statement of Net Assets. (255,000)

Repayment of Debt Principal is an Expenditure in the
Governmental Funds, but the Repayment Reduces Long-Term
Liabilities in the Statement of Net Assets. 1,309,996

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
Becomes Due.
Accrued Interest on Bonds 11,344

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 12,810
Amortization of Deferred Charges (6,143)

Increase (Decrease) in the Inventory is Reported as an Adjustment
To Fund Balance in the Governmental Funds, but Noninstructional
Expenditures are Increased (Decreased) in the Statement of
Activities. 11,401
Change in Net Assets (Exhibit B) \$ 758,143

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - EXHIBIT E
June 30, 2007

	<u>AGENCY FUNDS</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>837,883</u>
Total Assets	\$ <u><u>837,883</u></u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 806,003
Due to Other Funds	6,016
Due to Student Clubs	<u>25,864</u>
Total Liabilities	\$ <u><u>837,883</u></u>

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

LAFAYETTE 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 (5) 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 district 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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.

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 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

The school district reports the following major governmental funds:

General Fund - This fund 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.

School Lunch Fund - This fund accounts for the activity of the school district's food service department.

Title I (Basic) - This fund is used to account for all transaction involving the federal program Title I grant.

Homeless Children and Youth - This fund is used to account for all transactions under the federal grant for homeless children and youth.

Capital Projects 2005 Funds - This fund is used to account for construction projects under the Series 2005 bond issue.

Debt Service Series 2002 Bond Issue Fund - This fund is used to account for the debt service payments for the Series 2002 bond issue.

Debt Service MAEP Retirement Funds - This fund is used to account for transactions by the fiscal agent, Hancock Bank, for the district. It involves the payment of debt under the MAEP bond issue as well as investment of any surplus funds.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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. The District does not have permanent funds.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments. The District does not have private-purpose trust 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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 3 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 3 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

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

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

I. Capital Assets.

Capital acquisition and construction are 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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.

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:

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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 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.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

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

P. Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents, Cash with Fiscal Agents 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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

Investments.

Section 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 Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (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 \$2,954,143 and \$837,883, respectively. The carrying amounts of deposits reported in the government-wide statements was: Cash and cash equivalents \$2,954,143. The bank balance was \$4,303,774.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal 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 \$4,303,774 was exposed to custodial credit risk.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

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 Horizon Treasury Securities Money Market Mutual Fund	Less than 1	\$ <u>348,955</u>	A
Total Investments		\$ <u>348,955</u>	

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

(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 Funds	\$ 298,712	\$ 184
School Lunch Fund		73,537
Title I		73,379
Homeless Children and Youth		88,604
Other Governmental Funds	1,810	58,802
Total	300,522	294,506
 Fiduciary Funds		 6,016
Total Funds	\$ 300,522	\$ 300,522

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances should be paid within three months.

B. Transfers In/Out:

	<u>TRANSFER IN</u>	<u>TRANSFERS OUT</u>
Governmental Funds:		
General Funds	\$ 7,879	\$ 924,663
Title I		76,996
Debt Service-Series 2002 Bonds		24,412
Other Governmental Funds	1,121,569	103,377
Total Funds	\$ 1,129,448	\$ 1,129,448

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve amounts, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

(4) Capital Assets.

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

	BALANCE <u>7-1-06</u>	ADDITIONS	RETIREMENTS	COMPLETED <u>CONSTRUCTION</u>	ADJUSTMENTS	BALANCE <u>6-30-07</u>
<u>Non-depreciable Capital Assets:</u>						
Land	\$ 436,877	\$	\$	\$	\$	\$ 436,877
Construction in Progress	<u>9,026,646</u>	<u>815,353</u>	<u> </u>	<u> </u>	<u> </u>	<u>9,841,999</u>
Total Non-depreciable Capital Assets	<u>9,463,523</u>	<u>815,353</u>	<u> </u>	<u> </u>	<u> </u>	<u>10,278,876</u>
<u>Depreciable Capital Assets:</u>						
Buildings	12,499,985					12,499,985
Building Improvements	2,281,368					2,281,368
Improvements Other Than Buildings	83,305					83,305
Mobile Equipment	2,286,609	141,674	(6,041)			2,422,242
Furniture and Equipment	<u>561,761</u>	<u>112,320</u>	<u>(24,508)</u>	<u> </u>	<u> </u>	<u>649,573</u>
Total Depreciable Capital Assets	<u>17,713,028</u>	<u>253,994</u>	<u>(30,549)</u>	<u> </u>	<u> </u>	<u>17,936,473</u>
<u>Less Accumulated Depreciation for:</u>						
Buildings	2,943,477	238,200				3,181,677
Building Improvements	91,255	91,254				182,509
Improvements Other Than Buildings	13,137	3,332				16,469
Mobile Equipment	1,412,699	147,861	5,437			1,555,123
Furniture and Equipment	<u>456,483</u>	<u>38,502</u>	<u>24,263</u>	<u> </u>	<u> </u>	<u>470,722</u>
Total Accumulated Depreciation	<u>4,917,051</u>	<u>519,149</u>	<u>29,700</u>	<u> </u>	<u> </u>	<u>5,406,500</u>
Total Depreciable Capital Assets, Net	<u>12,795,977</u>	<u>(265,155)</u>	<u>(849)</u>	<u> </u>	<u> </u>	<u>12,529,973</u>
Governmental Activities Capital Assets, Net	<u>\$22,259,500</u>	<u>\$ 550,198</u>	<u>\$ (849)</u>	<u>\$</u>	<u>\$</u>	<u>\$22,808,849</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

Depreciation expense was charged to the following governmental functions:

	<u>AMOUNT</u>
Instruction	\$ <u>341,100</u>
Support Services	175,139
Non-Instructional	<u>2,910</u>
 Total Depreciation Expense	 \$ <u><u>519,149</u></u>

The capital assets above include significant amounts of buildings and of furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	<u>REMAINING COMMITMENT</u>	<u>REQUIRED FUTURE FINANCING</u>
Upper Elementary School Building	\$ <u>338,185</u>	\$ <u>-0-</u>
Total	\$ <u><u>338,185</u></u>	\$ <u><u>-0-</u></u>

(5) Long-Term Liabilities.

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

	BALANCE <u>7-1-06</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ADJUSTMENTS</u>	BALANCE <u>6-30-07</u>	AMOUNTS DUE WITHIN <u>ONE YEAR</u>
A. General Obligation Bonds Payable	\$ 16,775,000	\$	\$ 770,000	\$	\$ 16,005,000	\$ 795,000
B. Limited Obligation Bonds Payable	1,470,000		220,000		1,250,000	230,000
C. Three-mill Notes Payable	233,000	255,000	233,000		255,000	255,000
D. Obligations Under Energy Efficiency Lease	299,629		86,996		212,633	91,518
E. Compensated Absences Payable	<u>205,631</u>		<u>12,810</u>		<u>192,821</u>	<u>12,972</u>
Total	\$ <u>18,983,260</u>	\$ <u>255,000</u>	\$ <u>1,322,806</u>	\$ <u> </u>	\$ <u>17,915,454</u>	\$ <u>1,384,490</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

A. General Obligation Bonds Payable.

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

DESCRIPTION	INTEREST	ISSUE	MATURITY	AMOUNTS	
	RATE	DATE	DATE	ISSUED	OUTSTANDING
General Obligation Bonds:					
Series 2002, Refunding	Various	11/21/02	10/1/15	\$ 5,320,000	\$ 3,925,000
Series 2004	Various	8/15/04	8/15/21	6,500,000	6,200,000
Series 2005	Various	6/1/05	4/15/20	6,400,000	5,880,000
Total				<u>\$18,220,000</u>	<u>\$16,005,000</u>

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

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	\$ 795,000	\$ 628,958	\$ 1,423,958
2009	845,000	595,977	1,440,977
2010	855,000	559,637	1,414,637
2011	960,000	522,414	1,482,414
2012	1,010,000	482,669	1,492,669
2013-2017	6,020,000	1,759,824	7,779,824
2018-2022	5,520,000	532,604	6,052,604
Totals	<u>\$16,005,000</u>	<u>\$ 5,082,083</u>	<u>\$21,087,083</u>

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

SERIES 2002 (REFUNDING):

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	\$ 365,000	\$ 141,680	\$ 506,680
2009	380,000	130,585	510,585
2010	400,000	117,900	517,900
2011	415,000	103,626	518,626
2012	435,000	87,896	522,896
2013-2016	1,930,000	166,735	2,096,735
Totals	<u>\$ 3,925,000</u>	<u>\$ 748,422</u>	<u>\$ 4,673,422</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

SERIES 2004:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	\$ 160,000	\$ 254,358	\$ 414,358
2009	180,000	245,432	425,432
2010	200,000	235,457	435,457
2011	260,000	224,748	484,748
2012	260,000	214,413	474,413
2013-2017	1,915,000	888,125	2,803,125
2018-2022	<u>3,225,000</u>	<u>358,794</u>	<u>3,583,794</u>
Totals	\$ <u>6,200,000</u>	\$ <u>2,421,327</u>	\$ <u>8,621,327</u>

SERIES 2005:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	\$ 270,000	\$ 232,920	\$ 502,920
2009	285,000	219,960	504,960
2010	255,000	206,280	461,280
2011	285,000	194,040	479,040
2012	315,000	180,360	495,360
2013-2017	2,175,000	704,964	2,879,964
2018-2022	<u>2,295,000</u>	<u>173,810</u>	<u>2,468,810</u>
Totals	\$ <u>5,880,000</u>	\$ <u>1,912,334</u>	\$ <u>7,792,334</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes have been met. The Lafayette School District may, however, have an outstanding bonded indebtedness amount not to exceed 20% according to Section 37-59-7, Miss. Code Ann. (1972), since more than 9% of the total land area of the district is owned by the federal government and situated in a flood control reservoir or maintained as a part of the national forest system. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 20% of property assessments as of October 1, 2006. This debt will be retired from the Series 2002, Series 2004, Series 2005 bond funds, respectively.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

B. 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>ISSUE</u>	<u>MATURITY</u>	<u>AMOUNTS</u>	
	<u>RATE</u>	<u>DATE</u>	<u>DATE</u>	<u>ISSUED</u>	<u>OUTSTANDING</u>
State Aid Capital Improvement-Series 1998	Varies	4/22/98	8/1/11	\$ 2,475,000	\$ 1,250,000
Total				\$ 2,475,000	\$ 1,250,000

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	\$ 230,000	\$ 48,748	\$ 278,748
2009	240,000	38,700	278,700
2010	250,000	28,165	278,165
2011	260,000	17,200	277,200
2012	270,000	5,805	275,805
Totals	\$ 1,250,000	\$ 138,618	\$ 1,388,618

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 retirement fund.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

C. Three mill Notes Payable.

Debt currently outstanding is as follows:

DESCRIPTION	INTEREST	ISSUE	MATURITY	AMOUNTS	
	RATE	DATE	DATE	ISSUED	OUTSTANDING
Limited Tax Notes					
Series 2007	3.90%	6/01/07	6/01/08	\$ 255,000	\$ 255,000
Total				\$ 255,000	\$ 255,000

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

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2008	\$ 255,000	\$ 9,945	\$ 264,945
Totals	\$ 255,000	\$ 9,945	\$ 264,945

This debt will be retired from the Three Mill Fund.

D. Obligations Under Energy Efficiency Lease.

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

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST AND MAINTENANCE CHARGES	TOTAL
2008	\$ 91,518	\$ 9,112	\$ 100,630
2009	96,275	4,355	100,630
2010	24,840	317	25,157
Totals	\$ 212,633	\$ 13,784	\$ 226,417

An energy efficiency lease agreement dated July 30, 1999, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$784,451 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not to exceed ten (10) years.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the district maintenance fund.

E. 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 11.3% 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 \$1,285,960, \$1,162,100 and \$1,000,887, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

(8) Litigation.

The school district is not involved in litigation.

(9) Risk Management.

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

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 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.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

(10) Deferred Amount on Refunding.

On December 1, 2002, the district deferred its 1995 General Obligation Bonds with the issuance of 2002 General Obligation Refunding Bonds. The issuance cost of \$89,396 is being amortized over a period of 154 months of \$580 a month.

(11) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated September 28, 1971, creating the Oxford-Lafayette County Vocational-Technical Center which has been renamed the Oxford-Lafayette County School of Applied Technology. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Oxford School District and Lafayette County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Lafayette County School District has been designated as the fiscal agent for the Oxford-Lafayette Co. School of Applied Technology, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Oxford-Lafayette Co. School of Applied Technology.

LAFAYETTE COUNTY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 - Continued -

Statement of Revenues, Expenditures and Changes in Fund Balance-
 Governmental Funds
 For the Year ended June 30, 2007

Revenues	
Local Sources	
Tuition from Other LEA's Within the State:	
Oxford School District	\$ 240,000
Lafayette County School District	<u>240,000</u>
Total Tuition from Other LEA's Within the State	<u>480,000</u>
Interest	10,560
Fees	<u>4,810</u>
Total Local Sources	<u>495,370</u>
State Sources	458,122
Federal Sources	<u>50,261</u>
Total Revenues	<u>1,003,753</u>
Expenditures	
Salaries	601,907
Employee Benefits	168,581
Purchased Property Services	99,013
Other Purchased Services	26,649
Supplies	67,346
Property	74,721
Other	291
Total Expenditures	<u>1,038,508</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,755)
Fund Balance	
July 1, 2006	<u>341,440</u>
June 30, 2007	\$ <u>306,685</u>

LAFAYETTE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR GENERAL FUNDS
 For the Year Ended June 30, 2007

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE	
				POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL		ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Local Sources	\$ 5,535,259	\$ 5,722,097	\$ 5,557,967	\$ 186,838	\$ (164,130)
State Sources	10,617,315	12,240,551	10,645,811	1,623,236	(1,594,740)
Federal Sources	<u>213,202</u>	<u>228,056</u>	<u>319,262</u>	<u>14,854</u>	<u>91,206</u>
Total Revenues	<u>16,365,776</u>	<u>18,190,704</u>	<u>16,523,040</u>	<u>1,824,928</u>	<u>(1,667,664)</u>
EXPENDITURES:					
Instruction	9,961,699	10,948,705	10,000,187	(987,006)	948,518
Support Services	5,926,293	6,189,103	5,749,049	(262,810)	440,054
Non-Instructional Services	24,100	-0-	-0-	24,100	-0-
Facilities Acquisition & Construction	23,436	-0-	42,036	23,436	(42,036)
Debt Service:					
Principal	86,995	91,517	86,996	(4,522)	4,521
Interest	<u>13,635</u>	<u>9,113</u>	<u>13,634</u>	<u>4,522</u>	<u>(4,521)</u>
Total Expenditures	<u>16,036,158</u>	<u>17,238,438</u>	<u>15,891,902</u>	<u>(1,202,280)</u>	<u>1,346,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>329,618</u>	<u>952,266</u>	<u>631,138</u>	<u>622,648</u>	<u>(321,128)</u>
OTHER FINANCING SOURCES (USES)					
Insurance Loss Recoveries	-0-	-0-	107,642	-0-	107,642
Sale of Transportation Equipment	-0-	-0-	213	-0-	213
Operating Transfers In	1,533,252	1,669,856	1,601,781	136,604	(68,075)
Operating Transfers Out	<u>(2,447,647)</u>	<u>(2,697,362)</u>	<u>(2,518,565)</u>	<u>(249,715)</u>	<u>178,797</u>
Total Other Financing Sources (Uses)	<u>(914,395)</u>	<u>(1,027,506)</u>	<u>(808,929)</u>	<u>(113,111)</u>	<u>218,577</u>
Net Change in Fund Balances	(584,777)	(75,240)	(177,791)	509,537	(102,551)
FUND BALANCES					
July 1, 2006	<u>1,507,483</u>	<u>1,507,483</u>	<u>1,507,483</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2007	<u>\$ 922,706</u>	<u>\$ 1,432,243</u>	<u>\$ 1,329,692</u>	<u>\$ 509,537</u>	<u>\$ (102,551)</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR SCHOOL LUNCH FUND
 For the Year Ended June 30, 2007

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE	
				ORIGINAL TO FINAL	FINAL TO ACTUAL
	ORIGINAL	FINAL			
REVENUES:					
Local Sources	\$ 378,604	\$ 344,174	\$ 358,404	\$ (34,430)	\$ 14,230
State Sources	5,785	5,785	5,020	-0-	(765)
Federal Sources	699,169	724,328	704,742	25,159	(19,586)
Total Revenues	1,083,558	1,074,287	1,068,166	(9,271)	(6,121)
EXPENDITURES:					
Support Services	89,186	93,198	89,647	(4,012)	3,551
Non-Instructional Services	1,007,865	984,338	1,010,950	23,527	(26,612)
Total Expenditures	1,097,051	1,077,536	1,100,597	19,515	(23,061)
Net Change in Fund Balances	(13,493)	(3,249)	(32,431)	10,244	(29,182)
FUND BALANCES					
July 1, 2006	46,063	46,063	46,063	-0-	-0-
Increase (Decrease) in Reserve for Inventory	-0-	-0-	11,401	-0-	11,401
June 30, 2007	\$ 32,570	\$ 42,814	\$ 25,033	\$ 10,244	\$ (17,781)

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR TITLE I-BASIC
 For the Year Ended June 30, 2007

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE	
				ORIGINAL TO FINAL	FINAL TO ACTUAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)	
REVENUES:					
Federal Sources	\$ 476,747	\$ 505,848	\$ 331,101	\$ 29,101	\$ (174,747)
Total Revenues	<u>476,747</u>	<u>505,848</u>	<u>331,101</u>	<u>29,101</u>	<u>(174,747)</u>
EXPENDITURES:					
Instruction	302,997	211,112	173,928	91,885	37,184
Support Services	95,696	221,909	80,177	(126,213)	141,732
Non-Instructional Services	<u>1,058</u>	<u>-0-</u>	<u>-0-</u>	<u>1,058</u>	<u>-0-</u>
Total Expenditures	<u>399,751</u>	<u>433,021</u>	<u>254,105</u>	<u>(33,270)</u>	<u>178,916</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>76,996</u>	<u>72,827</u>	<u>76,996</u>	<u>(4,169)</u>	<u>4,169</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	<u>(76,996)</u>	<u>(72,827)</u>	<u>(76,996)</u>	<u>4,169</u>	<u>(4,169)</u>
Total Other Financing Sources (Uses)	<u>(76,996)</u>	<u>(72,827)</u>	<u>(76,996)</u>	<u>4,169</u>	<u>(4,169)</u>
Net Change in Fund Balances	-0-	-0-	-0-	-0-	-0-
FUND BALANCES					
July 1, 2006	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

LAFAYETTE COUNTY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR HOMELESS CHILDREN GRANT
 For the Year Ended June 30, 2007

	BUDGETED AMOUNTS		ACTUAL (GAAP BASIS)	VARIANCE	
				ORIGINAL	FINAL
	ORIGINAL	FINAL		POSITIVE (NEGATIVE) TO FINAL	FINAL TO ACTUAL
REVENUES:					
Federal Sources	\$ -0-	\$ 7,088	\$ 89,695	\$ 7,088	\$ 82,607
Total Revenues	<u>-0-</u>	<u>7,088</u>	<u>89,695</u>	<u>7,088</u>	<u>82,607</u>
EXPENDITURES:					
Instruction	-0-	7,088	79,695	(7,088)	(72,607)
Support Services	<u>-0-</u>	<u>-0-</u>	<u>10,000</u>	<u>-0-</u>	<u>(10,000)</u>
Total Expenditures	<u>-0-</u>	<u>7,088</u>	<u>89,695</u>	<u>(7,088)</u>	<u>(82,607)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Change in Fund Balances	-0-	-0-	-0-	-0-	-0-
FUND BALANCES					
July 1, 2006	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2007	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

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

LAFAYETTE 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.

LAFAYETTE COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2007

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through Mississippi Department of Education:		
Non-Cash Assistance:		
Food Donation	10.550	\$ <u>56,027</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	185,513
National School Lunch Program	10.555	<u>463,202</u>
Total Child Nutrition Cluster		<u>648,715</u>
Total U.S. Department of Agriculture		<u>704,742</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	<u>60,190</u>
Total U. S. Department of Defense		<u>60,190</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	<u>20,431</u>
Total Federal Communications Commission		<u>20,431</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through Mississippi Department of Education:		
Title I-Grants to Local Educational Agencies	84.010	331,101
Vocational Education-Basic Grants to States	84.048	50,261
Safe and Drug-free Schools and Communities-State Grants	84.186	10,645
Education for Homeless Children and Youth	84.196	89,695
Eisenhower Professional Development State Grants	84.281	80,959
State Grants for Innovative Programs	84.298	4,835
Education Technology State Grants	84.318	1,772
English Language Acquisition Grants	84.365	20,641
Improving Teacher Quality State Grants	84.367	<u>57,018</u>
Total		\$ <u>646,927</u>

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Continued -

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR</u>	<u>CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U. S. DEPARTMENT OF EDUCATION - Continued</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	\$ 618,361
Special Education - Preschool Grants	84.173	<u>21,597</u>
Total Special Education Cluster		<u>639,958</u>
Total Passed-Through Mississippi Department of Education		<u>1,286,885</u>
Total U.S. Department of Education		<u>1,286,885</u>
Total for All Federal Awards		\$ <u>2,072,248</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.

LAFAYETTE COUNTY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND
 OTHER EXPENDITURES-GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2007

EXPENDITURES	TOTAL	INSTRUCTIONAL & OTHER STUDENT			
		INSTRUCTIONAL EXPENDITURES	GENERAL ADMINISTRATIVE	SCHOOL ADMINISTRATION	OTHER
Salaries and Fringe					
Benefits	\$ 15,498,974	\$ 12,137,515	\$ 621,196	\$ 1,144,867	\$ 1,595,396
Other	<u>7,609,775</u>	<u>1,880,001</u>	<u>110,330</u>	<u>127,722</u>	<u>5,491,722</u>
Total	\$ <u>23,108,749</u>	\$ <u>14,017,516</u>	\$ <u>731,526</u>	\$ <u>1,272,589</u>	\$ <u>7,087,118</u>

Total Number of Students * 2,332

Cost per Student \$ 9,909 \$ 6,011 \$ 313 \$ 546 \$ 3,039

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 function codes)

General Administration - includes expenditures for the following functions: Support Services - General Administrative (2300s); 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.

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

LAFAYETTE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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
Lafayette County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2007, which collectively comprise the Lafayette County School District's basic financial statements and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in the internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-01 to be a significant deficiency in internal control over financial reporting.

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.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above in Finding 2007-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated September 15, 2008, which is included in this report.

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

Young & Garrett

September 15, 2008



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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
Lafayette County School District

Compliance

We have audited the compliance of the Lafayette 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, Lafayette 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 Lafayette 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 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 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, other 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.

Young & Garrett

September 15, 2008

LAFAYETTE COUNTY SCHOOL DISTRICT

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



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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

Superintendent and School Board
Lafayette County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2007, which collectively comprise Lafayette County School District's basic financial statements and have issued our report thereon dated September 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain 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 \$6,686 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.

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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

In connection with the purchase of noncompetitive items available from one source a certification of conditions and circumstances requiring the purchase shall be filed by the governing authority with the board of the governing authority. Upon receipt of that certification, the board of the governing authority may, in writing, authorize the purchase, which authority shall be noted on the minutes of the board at the next regular meeting thereafter. State Code Section 31-7-13(m) (vii).

07-01 Finding

The District is responsible for following state purchasing law in regard to single source items.

During our test work on purchasing laws, the following noncompliance item was noted:

1. On November 9, 2006, the District paid purchase order 59600 in the amount of \$21,009.18 for an item designated as a single source. The district did not certify to the board of education the need for the purchase and did not receive board authorization of the purchase. No mention of a single source purchase was found in the minutes of the board of education.

Recommendation

We recommend management comply with the state laws regarding purchases from single sources.

School District's Response

The District will comply with the state code in regard to its single source purchases by obtaining board acceptance of single source certification and authorization to purchase in writing prior to making purchase.

State Code Section 37-9-18 requires that the superintendent of education furnish to the school board a financial statement of receipts and disbursements, by fund, on or before the last working day of the following month covering the prior month.

07-02 Finding

The District is responsible for complying with reporting as required in State Code Section 37-9-18.

During our test on state legal compliance with regard to financial statements, we noted the following:

1. An examination of the minutes of the board of education for fiscal year 2006-2007, found no reference of district financial statements being presented and accepted. Activity fund financial reports were referenced as being presented and accepted.

Recommendation

We recommend that the district file a financial report of receipts and disbursements by fund as required by State Code Section 37-9-18.

School District's Response

The District will present a financial report of receipts and disbursements as required by State Code Section 37-9-18. The presentation will be duly noted and spread upon the minutes of board.

State Code Section 37-61-21(2) requires that each school prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require on or before October 15 of each year. The State Board of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.

07-03 Finding

The District is responsible for the electronic filing of its financial information with the State Department of Education by October 15 of each year. As part of this information, the district is to have prepared a financial statement in the format prescribed by the State Board of Education for presentation to the board of education. This report is the financial statement upon which the auditor expresses an opinion.

During our test work on financial statement reporting, we found the following:

1. The district electronically transmitted its financial statement data to the State Department of Education by the October 15, 2007, date. The financial statements were not completed until February, 2008.

Recommendation

We recommend that the District abide by the reporting dates and requirements of Section 37-61-21(2).

School District's Response

The District will complete the electronic submission of financial information and the presentation of financial statements by October 15th.

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

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

Young & Janett

September 15, 2008

LAFAYETTE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAFAYETTE COUNTY 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: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child Nutrition Cluster:
CFDA #10.553
CFDA #10.555 | |
| b. Special Education Cluster:
CFDA #84.027
CFDA #84.173 | |
| c. Title I-Grants to Local Education Agencies:
CFDA #84.010 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee. | No |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Section 2: Financial Statement Findings

Reportable Condition Considered to be Material Weakness

07-01 Finding

The District is responsible for following state purchasing law in regard to single source items. Mississippi Code Annotated, (1972) Section 31-7-13(m)(viii) provides for the purchase of noncompetitive items available from one source. In connection with the purchase of noncompetitive items only available from one source, a certification of the conditions and circumstances requiring the purchase shall be filed by the governing authority with the board of the governing authority. Upon receipt of that certification, the board may in writing authorize the purchase, which authority shall be noted on the minutes of the board at the next regular meeting thereafter.

During a random sample test of forty purchase orders for compliance with state purchasing laws, we noted the following violation:

1. On November 9, 2006, the District paid purchase order 59600 in the amount of \$21,009.18 for an item designated as a single source. The district did not certify to the board of education the need for the purchase and did not receive board authorization of the purchase. No mention of a single source purchase was found in the minutes of the board of education.

Recommendation

We recommend management comply with the state laws regarding purchases from single sources.

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.

LAFAYETTE COUNTY SCHOOL DISTRICT
OFFICE OF THE SUPERINTENDENT
(662) 234-3271

Financial & Compliance Audit Division

As required by Section ____ .315(c) of OMB Circular A-133 the Lafayette County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2007:

Finding

Corrective Action Plan Details

07-1

- a. Calvin Worthem, Purchasing Agent (662-234-3271).
- b. In future purchases of single source items the district will obtain a certification letter to the effect that the item being purchased is, in fact, a single source item. This letter will be submitted to the board for acceptance in writing prior to purchase.
- c. Immediately.

07-2

- a. Bryan White, Business Administrator, (662-234-3271).
- b. The district will present financial reports of receipts and disbursements by fund according to the time frame in state code section 37-9-18. The presentation will be duly noted and spread upon the minutes of the board.
- c. Immediately.

07-3

- a. Bryan White, Business Administrator, (662-234-3271).
- b. The district will transmit its financial data electronically and present the annual financial statements to the board by October 15.
- c. Fiscal Year 2007-2008.

Regards,



Bryan White, CPA
Business Administrator
Lafayette County School District

LAFAYETTE COUNTY SCHOOL DISTRICT
OFFICE OF THE SUPERINTENDENT
(662) 234-3271

September 9, 2008

Mississippi Office of the State Auditor
Education Audit Section
501 N. West Street
Suite 801, Woolfolk Building
Jackson, MS 39201

To Whom It May Concern:

This letter is response to Financial Statement Finding 2006-01; 2006-02 and 2006-03 for the fiscal year ending June 30, 2006. These findings may be found in detail on pages 64-65, Section 2 and Section 3 of the Lafayette County School District Audited Financial Statements and Supplementary Information for the fiscal year ending June 30, 2006.

Finding 2006-01 pertained to services performed prior to the issuance of purchase requisition and purchase order. The auditor for the fiscal year 2005-2006 recommended the following steps to assure that services are approved prior to performance :

1. The District will implement internal controls to require purchase orders to be completed and approved prior to expenditures for services being incurred.
2. The District will obtain sufficient documentation to support all disbursements.

The District has responded to the recommendations by instructing the purchasing agent to assure that all personnel be made aware of the proper purchasing procedures required by state purchasing laws and to closely monitor purchases for adequate documentation.

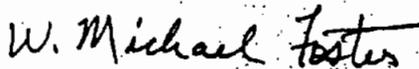
Finding 2006-2 found that the District failed to maintain adequate records on nonexempt employees. The auditor recommended that the District maintain adequate records to support the payments of salaries to nonexempt employees. The District has put in place plans to maintain adequate payroll records and documentation to support payroll expenditures of nonexempt employees. Time cards are now maintained at the department level.

Finding 2006-3 pertains to the timely request for reimbursement under federal grants. The Auditor recommended the district implement policies and procedures to insure compliance with the cash management for federal program funds. The district has changed its practice of requesting funds from federal grants and has drafted a formal policy for requesting these funds which has been approved by the Board of Education.

The District feels that the above responses to Financial Statement Findings 2006-01, 2006-02 and 2006-03 to be adequate in correcting the problems presented.

If you have further questions, please do not hesitate to contact me.

Regards,

A handwritten signature in black ink that reads "W. Michael Foster". The signature is written in a cursive style with a large, stylized "F" and "T".

W. Michael Foster
Superintendent
Lafayette County School District