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LAMAR COUNTY SCHOOL DISTRICT

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

**Charles L. Shivers, CPA
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Lamar County School District

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2007, which collectively comprise the Lamar County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lamar County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

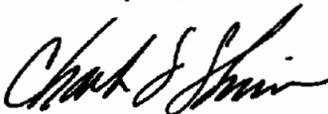
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Lamar 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*, I have also issued my report dated February 27, 2008, on my consideration of the Lamar County School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar 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 as required by the Mississippi State Auditor's Office. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ridgeland, MS
February 27, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

LAMAR COUNTY
SCHOOL DISTRICT
P.O. Box 609
Purvis, MS 39475

BOARD MEMBERS

President
Mr. Chris Ryals

Vice President
Dr. Kyle Hill

Secretary
Mr. Mike Pruitt

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Mr. Chris Hudson
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The discussion and analysis of Lamar 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 financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$5,531,060, which represents 16% increase from fiscal year 2005.
- General revenues account for \$55,695,891 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,590,964 or 16% of total revenues.
- The District had \$61,346,002 in expenses; only \$10,590,964 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$55,695,891 were adequate to provide for these programs.
- Among major funds, the General Fund had \$48,104,644 in revenues and \$47,597,821 in expenditures. The General Fund's fund balance increased \$98,597 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$23,621,593. The increase is the result of construction in progress and completed building projects.
- Long-term debt decreased by \$1,130,001.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to

the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, respectively, of this report.

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

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Assets and Liabilities on page 21.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 36 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. This required supplementary information can be found on pages 39 and 40 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 43 and 45, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$40,921,576 as of June 30, 2007.

By far the largest portion of the District's net assets (\$17,947,274%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2007 and 2006, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Current assets	\$ 41,954,883	\$ 59,280,621	-29.2%
Non-depreciable capital assets	30,923,551	9,505,624	225.3%
Depreciable capital assets, net	<u>29,506,220</u>	<u>27,302,554</u>	8.1%
Total assets	<u>102,384,654</u>	<u>96,088,799</u>	6.6%
Current liabilities	5,416,646	3,704,463	46.2%
Long-term debt outstanding	<u>56,046,432</u>	<u>57,176,433</u>	-2.0%
Total liabilities	<u>61,463,078</u>	<u>60,880,896</u>	1.0%
Net assets:			
Invested in capital assets, net of related debt	17,947,274	(19,930,811)	-190.0%
Restricted	15,813,831	48,312,379	-67.3%
Unrestricted	<u>7,160,471</u>	<u>6,826,335</u>	4.9%
Total net assets	<u>\$ 40,921,576</u>	<u>\$ 35,207,903</u>	16.2%

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

- The principal retirement of \$1,989,381 of long-term debt.
- The addition of \$25,221,029 in capital assets from the construction of a new school.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$66,286,855. The total cost of all programs and services was \$61,346,002. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2007 and 2006, respectively.

	<u>Change in Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,416,771	\$ 1,561,703	118.8%
Operating grants and contributions	7,072,385	10,531,307	-32.8%
Capital grants and contributions	101,808	204,475	-50.2%
General revenues:			
Property taxes	16,737,754	15,720,614	6.5%
Grants and contributions not restricted	33,598,597	31,812,207	5.6%
Sixteenth section sources	3,590,532	3,297,895	8.9%
Other	<u>1,769,008</u>	<u>457,006</u>	287.1%
Total revenues	<u>66,286,855</u>	<u>63,585,207</u>	4.2%
Expenses:			
Instruction	35,326,649	30,512,208	15.8%

Support services	19,551,664	16,115,311	21.3%
Non-instructional	3,287,385	3,412,182	-3.7%
Sixteenth section	48,039	152,562	-68.5%
Interest and other expense on long-term liabilities	<u>3,132,265</u>	<u>2,907,943</u>	7.7%
Total expenses	<u>61,346,002</u>	<u>53,100,206</u>	15.5%
Special Items	<u>590,207</u>	<u>0</u>	
Increase in net assets	5,531,060	10,485,001	-47.3%
Net Assets, July 1	<u>35,390,516</u>	<u>24,722,902</u>	43.2%
Net Assets, June 30	<u>\$ 40,921,576</u>	<u>\$ 35,207,903</u>	16.2%

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2007 and 2006, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2007		2006	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$35,326,649	\$(30,659,428)	\$30,512,208	\$(23,168,952)
Support services	19,551,664	(16,759,181)	16,115,311	(13,838,581)
Non-instructional	3,287,385	(156,125)	3,412,182	(742,613)
Sixteenth section	48,039	(48,039)	152,562	(144,632)
Interest and other expenses on long-term liabilities	<u>3,132,265</u>	<u>(3,132,265)</u>	<u>2,907,943</u>	<u>(2,907,943)</u>
Total expenses	<u>\$61,346,002</u>	<u>\$(50,755,038)</u>	<u>\$53,100,206</u>	<u>\$(40,802,721)</u>

- Net cost of governmental activities (\$50,755,038), was financed by general revenue, which is made up of primarily property taxes (\$16,737,754) and state revenue (\$33,008,381).
- Investment earnings accounted for \$2,100,460 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 \$37,016,065, a decrease of \$18,993,465 due primarily to the use of funds for construction projects. \$9,073,894 or 24% 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 \$27,942,171 or 76% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$98,597. The fund balance of Other Governmental Funds showed a decrease of \$4,318.

BUDGETARY HIGHLIGHTS

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

Budgeted amounts for revenue from local sources increased due in part to increased interest earnings on interest-bearing checking accounts. Local revenue sources also increased due to savings on refunding outstanding bonds.

Budgeted amounts for revenue from state sources were increased due in part to funds received from revenue in lieu of taxes.

Budgeted amounts for salaries and benefits were decreased due in part to savings on employee insurance and workers compensation premiums.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$75,086,901, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$24,988,895 from the previous year. The additions consist primarily of construction in progress and completed building projects. Total accumulated depreciation as of June 30, 2007 was \$14,657,130 and total depreciation expense for the year was \$1,578,371, resulting in total net assets of \$60,429,771.

	<u>Capital Assets, Net of Depreciation</u>		Percentage
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Land	\$ 452,440	\$ 452,440	0.0%
Construction in progress	30,471,111	9,053,184	236.6%
Buildings	23,325,389	22,135,231	5.4%
Improvements other than building	3,726,845	3,178,809	17.2%
Mobile equipment	1,313,403	1,530,620	-14.2%
Furniture and equipment	<u>1,140,583</u>	<u>457,894</u>	149.1%
Total	<u>\$60,429,771</u>	<u>\$36,808,178</u>	64.2%

Additional information of the District's capital assets can be found in Note 4 on page 30 - 31 of this report.

Debt Administration. At June 30, 2007, the District had \$56,046,432 in general obligation bonds and other long-term debt outstanding, of which \$2,393,854 is due within one year.

	<u>Outstanding Debt</u>		Percentage
	<u>2007</u>	<u>2006</u>	<u>Change</u>
General obligation bonds payable	\$42,750,000	\$44,050,000	-3.0%
Certificates of participation payable	2,570,000	2,685,000	-4.3%
Shortfall notes payable	730,000	0	
Obligations under energy efficiency leases	359,608	428,989	-16.2%
Limited obligation bonds payable	9,070,000	9,575,000	-5.3%
Compensated absences payable	<u>566,824</u>	<u>437,444</u>	29.6%
Total	<u>\$56,046,432</u>	<u>\$57,176,433</u>	-2.0%

Additional information of the District's long-term debt can be found in Note 5 on pages 31 - 34 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage has increased 12 ½% over the past 6 years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District increased by 3% over school year 2005-2006. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Lamar County School District, P. O. Box 609, Purvis, MS 39475.

BASIC FINANCIAL STATEMENTS

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Lamar County School District
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 7,884,184
Cash with fiscal agent (Note 2)	\$ 643
Investments (Note 2)	\$ 21,233,907
Due from other governments	\$ 2,118,520
Accrued interest receivable	\$ 435,517
Other receivables, net	\$ 4,459
Inventories and prepaid items	\$ 75,082
Restricted assets (Note 2)	\$ 10,202,571
Non-depreciable capital assets (Note 4)	\$ 30,923,551
Depreciable capital assets, net (Note 4)	\$ 29,506,220
	<u>\$ 102,384,654</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 4,878,276
Deferred revenue	\$ 43,012
Interest payable on long-term liabilities	\$ 477,828
Other payables	\$ 17,530
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	\$ 2,122,180
Non-capital related liabilities	\$ 271,674
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	\$ 52,627,428
Non-capital related liabilities	\$ 1,025,150
	<u>\$ 61,463,078</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 17,947,274
Restricted net assets	
Expendable	
School-based activities	\$ 1,801,993
Debt service	\$ 332,938
Forestry improvements	\$ 391,859
Unemployment benefits	\$ 150,000
Non-expendable	
Sixteenth section	\$ 13,137,041
Unrestricted	<u>\$ 7,160,471</u>
	<u>\$ 40,921,576</u>

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

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

Exhibit B

Functions / Programs	Program Revenues			Expenses		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			Primary Governmental Activities	
Primary Governmental Activities							
Instruction	\$ 35,326,649	\$ 792,769	\$ 3,772,644	\$ 19,551,664	\$ 101,808	\$ (30,659,428)	
Support services	\$ 1,202,917	\$ 1,589,566		\$ 3,287,385		\$ (16,759,181)	
Non-instructional	\$ 48,039	\$ 1,710,175		\$ 48,039		\$ (156,125)	
Sixteenth section				\$ 3,132,265		\$ (48,039)	
Interest and other expenses on long-term liabilities						\$ (3,132,265)	
Total Governmental Activities	\$ 3,416,771	\$ 7,072,385	\$ 101,808	\$ 61,346,002		\$ (50,755,038)	
General Revenues							
Taxes							
General purpose levies						\$ 13,940,803	
Debt purpose levies						\$ 2,796,951	
Unrestricted grants and contributions							
State						\$ 33,008,381	
Federal						\$ 241,109	
Unrestricted investment earnings						\$ 349,107	
Restricted investment earnings						\$ 1,751,353	
Sixteenth section sources						\$ 3,590,532	
Other						\$ 17,655	
Total General Revenues						\$ 55,695,891	
Special Items (Note 12)						\$ 590,207	
Total General Revenues and Special Items						\$ 56,286,098	
Changes in Net Assets						\$ 5,531,060	
Net Assets - Beginning						\$ 35,207,903	
Prior Period Adjustments (Note 9)						\$ 182,613	
Net Assets - Beginning - Restated						\$ 35,390,516	
Net Assets - Ending						\$ 40,921,576	

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

Lamar County School District
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	GO Bond Construction Fund	16th Section Principal Fund		
Assets					
Cash and cash equivalents (Note 2)	\$ 5,624,405	\$ 439,067	\$ 702,571	\$ 1,820,712	\$ 8,586,755
Cash with fiscal agent (Note 2)				\$ 643	\$ 643
Investments (Note 2)	\$ 2,725,000	\$ 16,251,530	\$ 9,500,000	\$ 2,257,377	\$ 30,733,907
Due from other governments	\$ 1,184,886		\$ 16,636	\$ 916,998	\$ 2,118,520
Accrued interest receivable	\$ 60,075	\$ 105,932	\$ 227,334	\$ 42,176	\$ 435,517
Other receivables, net	\$ 3,501			\$ 958	\$ 4,459
Due from other funds (Note 3)	\$ 412,221				\$ 412,221
Advances to other funds (Note 3)			\$ 2,690,500		\$ 2,690,500
Inventories				\$ 75,082	\$ 75,082
Total Assets	\$ 10,010,088	\$ 16,796,529	\$ 13,137,041	\$ 5,113,946	\$ 45,057,604
Liabilities and Fund Balances					
Liabilities					
Accounts payable & accrued liabilities	\$ 197,194	\$ 4,529,418		\$ 151,664	\$ 4,878,276
Due to other funds (Note 3)				\$ 412,221	\$ 412,221
Advances from other funds (Note 3)	\$ 2,690,500				\$ 2,690,500
Deferred revenue				\$ 43,012	\$ 43,012
Other payables	\$ 2,745			\$ 14,785	\$ 17,530
Total Liabilities	\$ 2,890,439	\$ 4,529,418	\$ -	\$ 621,682	\$ 8,041,539
Fund Balances					
Reserved for					
Capital project purposes		\$ 12,267,111			\$ 12,267,111
Debt service purposes				\$ 810,766	\$ 810,766
Permanent fund purposes			\$ 10,219,207		\$ 10,219,207
Unemployment benefits				\$ 150,000	\$ 150,000
Forestry improvements				\$ 391,859	\$ 391,859
Advances			\$ 2,690,500		\$ 2,690,500
Inventory				\$ 75,082	\$ 75,082
Unreserved					
Designated, reported in capital projects funds				\$ 1,337,646	\$ 1,337,646
Undesignated, reported in					
General fund	\$ 7,119,649				\$ 7,119,649
Special revenue funds				\$ 1,726,911	\$ 1,726,911
Permanent funds			\$ 227,334		\$ 227,334
Total Fund Balances	\$ 7,119,649	\$ 12,267,111	\$ 13,137,041	\$ 4,492,264	\$ 37,016,065
Total Liabilities and Fund Balances	\$ 10,010,088	\$ 16,796,529	\$ 13,137,041	\$ 5,113,946	\$ 45,057,604

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

Lamar County School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 37,016,065
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$14,657,130.	\$ 60,429,771
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (56,046,432)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (477,828)</u>
Total net assets - governmental activities	<u>\$ 40,921,576</u>

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

Lamar County School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2007

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	GO Bond Construction Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues					
Local sources	\$ 16,266,201	\$ 1,365,409		\$ 4,623,819	\$ 22,255,429
State sources	\$ 31,392,159			\$ 2,588,085	\$ 33,980,244
Federal sources	\$ 446,284			\$ 5,996,712	\$ 6,442,996
Sixteenth section sources			\$ 2,862,258	\$ 728,273	\$ 3,590,531
Total Revenues	\$ 48,104,644	\$ 1,365,409	\$ 2,862,258	\$ 13,936,889	\$ 66,269,200
Expenditures					
Instruction	\$ 30,575,096			\$ 3,816,443	\$ 34,391,539
Support services	\$ 16,634,705	\$ 8,320		\$ 3,477,906	\$ 20,120,931
Noninstructional services	\$ 283,470			\$ 2,920,301	\$ 3,203,771
Sixteenth section				\$ 48,039	\$ 48,039
Facilities acquisition and construction	\$ 11,704	\$ 22,941,694		\$ 980,322	\$ 23,933,720
Debt service					
Principal (Note 5)				\$ 1,989,381	\$ 1,989,381
Interest	\$ 87,980			\$ 2,814,333	\$ 2,902,313
Other	\$ 4,866			\$ 5,967	\$ 10,833
Total Expenditures	\$ 47,597,821	\$ 22,950,014	\$ -	\$ 16,052,692	\$ 86,600,527
Excess (Deficiency) of Revenues Over Expenditures	\$ 506,823	\$ (21,584,605)	\$ 2,862,258	\$ (2,115,803)	\$ (20,331,327)
Other Financing Sources (Uses)					
Proceeds of loans (Note 5)	\$ 640,259			\$ 89,741	\$ 730,000
Insurances loss recoveries	\$ 590,207				\$ 590,207
Sale of other property	\$ 18,540				\$ 18,540
Operating transfers in (Note 3)	\$ 1,313,116			\$ 3,112,438	\$ 4,425,554
Other financing sources				\$ 863	\$ 863
Operating transfers out (Note 3)	\$ (2,970,348)		\$ (363,649)	\$ (1,091,557)	\$ (4,425,554)
Other financing uses		\$ (1,748)			\$ (1,748)
Total Other Financing Sources (Uses)	\$ (408,226)	\$ (1,748)	\$ (363,649)	\$ 2,111,485	\$ 1,337,862
Net Change in Fund Balances	\$ 98,597	\$ (21,586,353)	\$ 2,498,609	\$ (4,318)	\$ (18,993,465)
Fund Balances					
July 1, 2006	\$ 6,826,335	\$ 33,853,464	\$ 10,638,432	\$ 4,516,636	\$ 55,834,867
Prior period adjustments (Note 9)	\$ 194,717			\$ (12,104)	\$ 182,613
July 1, 2006, as restated	\$ 7,021,052	\$ 33,853,464	\$ 10,638,432	\$ 4,504,532	\$ 56,017,480
Decrease in reserve for inventory				\$ (7,950)	\$ (7,950)
June 30, 2007	\$ 7,119,649	\$ 12,267,111	\$ 13,137,041	\$ 4,492,264	\$ 37,016,065

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

Lamar County School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ (18,993,465)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$25,221,029 and the depreciation expense amounted to \$1,578,371.	\$ 23,642,658
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 1,989,381
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ (129,380)
Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	\$ (730,000)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (21,065)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ (219,119)
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (7,950)</u>
Changes in net assets of governmental activities	<u>\$ 5,531,060</u>

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

Lamar County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 3,163,601
Other receivables	\$ 124
Total Assets	<u>\$ 3,163,725</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 2,917,456
Due to student clubs	\$ 246,269
Total Liabilities	<u>\$ 3,163,725</u>

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

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Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board. Each member was elected by the citizens of the school district.

The Lamar County Public School Improvement Corporation ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Corporation governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Corporation's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

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 reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. 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 Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. It also includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the reporting entity 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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

G O Bond Construction Fund – This capital projects fund is financed with proceeds from general obligation bonds and interest earnings. It is used to account for major construction and repairs, renovations and capital improvements to school buildings and facilities in accordance with the district's long range capital project plan.

16th Section Principal Fund – This fund is used to account for the non-expendable resources generated from the sale of non-renewable resources on sixteenth section lands.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

FIDUCIARY FUNDS

Agency Funds – Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposits with maturities of three months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

I. Capital Assets.

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

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. (See Note 5 for details).

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
- b. 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.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

- c. 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 further split between designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for capital project purposes – An account that represents a portion of the fund balance that is legally restricted for capital expenditures or expenditures for maintaining, repairing or equipping school district facilities in accordance with bonding resolutions approved by the school board.

Reserved for debt service purposes – An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

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

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

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

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

Reserved for inventory – An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Unreserved – designated, reported in capital projects funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of school district buildings and related facilities.

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agent and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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 school district deposits in financial institutions are held in the name of the Mississippi 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 school district's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. 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) and investments authorized under Section 27-105-365 Miss. Code Ann. (1972). That authority permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b) direct US Treasury obligations; (c) US Government agencies, US Government instrumentalities or US Government sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company; (f) in a trust consisting of pooled or commingled funds that includes investments in commercial paper and bankers acceptances or other short-term obligations issued by banks having one (1) of the two (2) highest short-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or corporate notes and bonds having one (1) of the three (3) highest long-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or in any open-ended or closed-ended management-type investment company or investment trust registered under the provisions or 15 USCS Section 80(a)-1 et seq. Investment income on bond funds (Capital Projects), 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 and Cash with Fiscal Agent.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$8,586,755 and \$3,163,601, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$7,884,184 and Restricted Assets - \$10,202,571. The Restricted Assets represents the cash balance (and investment balance) of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$13,548,091. The carrying amount of school district's cash with fiscal agents held by financial institutions was \$643.

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the school district.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

Investments.

The school district had the following investments at year end:

Investment	Credit Rating	Maturities	Fair Value
External investment pool	AAAm	various	\$ 328,244
External investment pool	Not Rated	various	\$ 4,938,913
US Treasury securities	N/A	various	\$ 132,742
Certificates of deposit	N/A	various	\$ 25,334,008
			<u>30,733,907</u>

Investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

Concentration of Credit Risk. The district does not have a policy that limits investment types. The district had 82% of its investments in Certificates of Deposit.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 412,221	
Other governmental funds		\$ 412,221
Total funds	<u>\$ 412,221</u>	<u>\$ 412,221</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Advances To/From Other Funds:

	Advances To	Advances From
Major funds:		
General fund		\$ 2,690,500
16 th section principal fund	\$ 2,690,500	
Total funds	<u>\$ 2,690,500</u>	<u>\$ 2,690,500</u>

The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the sixteenth section trust fund (Permanent trust) in accordance with Section 29-3-113, Miss. Code Ann., 1972). The purpose of these advances was to provide long term financing for capital related improvements in the district.

Sixteenth section principal loans payable.

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

Year Ending June 30	Principal	Interest	Total
2008	\$ 246,800	\$ 107,620	\$ 354,420
2009	\$ 234,300	\$ 97,748	\$ 332,048
2010	\$ 234,300	\$ 88,376	\$ 322,676
2011	\$ 234,300	\$ 79,004	\$ 313,304
2012	\$ 234,300	\$ 69,632	\$ 303,932
2013 – 2017	\$ 967,000	\$ 227,130	\$ 1,194,130
2018 – 2022	\$ 337,750	\$ 78,880	\$ 416,630
2023 – 2027	\$ 201,750	\$ 22,750	\$ 224,500
2028 – 2032			
Total	\$ 2,690,500	\$ 771,140	\$ 3,461,640

C. Transfers In/Out.

Major funds:	Transfer In	Transfers Out
General fund	\$ 1,313,116	\$ 2,970,348
16 th section principal fund		\$ 363,649
Other governmental funds	\$ 3,112,438	\$ 1,091,557
Total funds	\$ 4,425,554	\$ 4,425,554

The purpose of the interfund transfers out of the General Fund are to finance basic operations of the district (vocational program) and to finance building projects and debt service of the district (Other Governmental Funds). The transfer out of the 16th Section Principal Fund was the transfer of accumulated interest income to the General Fund.

(4) Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 452,440				\$ 452,440
Construction in progress	\$ 9,053,184	\$ 23,922,015		\$ (2,504,088)	\$ 30,471,111
Total non-depreciable capital assets	\$ 9,505,624	\$ 23,922,015	\$ 0	\$ (2,504,088)	\$ 30,923,551
<u>Depreciable capital assets:</u>					
Buildings	\$ 31,295,710			\$ 1,787,161	\$ 33,082,871
Improvements other than buildings	\$ 3,761,676			\$ 716,927	\$ 4,478,603
Mobile equipment	\$ 4,162,225	\$ 41,478	\$ (199,641)		\$ 4,004,062
Furniture and equipment	\$ 1,372,771	\$ 1,257,536	\$ (32,493)		\$ 2,597,814
Total depreciable capital assets	\$ 40,592,382	\$ 1,299,014	\$ (232,134)	\$ 2,504,088	\$ 44,163,350
<u>Less accumulated depreciation</u>					
Buildings	\$ 9,160,479	\$ 597,003			\$ 9,757,482
Improvements other than buildings	\$ 582,867	\$ 168,891			\$ 751,758
Mobile equipment	\$ 2,631,605	\$ 238,731	\$ (179,677)		\$ 2,690,659

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Balance 6-30-2007
Furniture and equipment	\$ 914,877	\$ 573,746	\$ (31,392)		\$ 1,457,231
Total accumulated depreciation	\$ 13,289,828	\$ 1,578,371	\$ (211,069)	\$ 0	\$ 14,657,130
Total depreciable capital assets, net	\$ 27,302,554	\$ (279,357)	\$ (21,065)	\$ 2,504,088	\$ 29,506,220
Governmental activities capital assets, net	\$ 36,808,178	\$ 23,642,658	\$ (21,065)	\$ 0	\$ 60,429,771

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 935,110
Support services	\$ 567,597
Non-instructional	\$ 75,664
Total depreciation expense	\$ 1,578,371

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

	Remaining Commitment	Required Future Financing
Oak Grove Elementary School	\$ 2,998,513	\$ 0
Purvis Elementary School	\$ 35,029	\$ 0
Sumrall Elementary School	\$ 29,640	\$ 0
Sumrall High School Gym	\$ 3,578,030	\$ 0
Sumrall High School Parking Lot	\$ 34,470	\$ 0
Sumrall High School Fieldhouse	\$ 120,872	\$ 0
Purvis Fine Arts Building	\$ 2,647,050	\$ 0
Total	\$ 9,443,604	\$ 0

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds payable	\$ 44,050,000		\$ 1,300,000	\$ 42,750,000	\$ 1,395,000
B. Limited obligation bonds payable	\$ 9,575,000		\$ 505,000	\$ 9,070,000	\$ 540,000
C. Certificates of participation payable	\$ 2,685,000		\$ 115,000	\$ 2,570,000	\$ 120,000
D. Shortfall notes payable	\$ 0	\$ 730,000		\$ 730,000	\$ 243,333
E. Obligations under energy efficiency lease	\$ 428,989		\$ 69,381	\$ 359,608	\$ 67,180
F. Compensated absences payable	\$ 437,444	\$ 129,380		\$ 566,824	\$ 28,341
Total	\$ 57,176,433	\$ 859,380	\$ 1,989,381	\$ 56,046,432	\$ 2,393,854

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

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 Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds, 1998	variable	10-1-98	7-1-13	\$ 3,545,000	\$ 1,770,000
General Obligation Bonds, 2005	variable	6-1-05	6-1-25	\$ 43,000,000	\$ 40,980,000
Total				\$ <u>46,545,000</u>	\$ <u>42,750,000</u>

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

Year Ending	Principal	Interest	Total
June 30			
2008	\$ 1,395,000	\$ 1,901,556	\$ 3,296,556
2009	\$ 1,500,000	\$ 1,833,366	\$ 3,333,366
2010	\$ 1,605,000	\$ 1,759,740	\$ 3,364,740
2011	\$ 1,740,000	\$ 1,680,650	\$ 3,420,650
2012	\$ 1,860,000	\$ 1,594,700	\$ 3,454,700
2013 – 2017	\$ 10,325,000	\$ 6,568,370	\$ 16,893,370
2018 – 2022	\$ 14,110,000	\$ 4,073,102	\$ 18,183,102
2023 – 2025	\$ 10,215,000	\$ 906,936	\$ 11,121,936
Total	\$ <u>42,750,000</u>	\$ <u>20,318,420</u>	\$ <u>63,068,420</u>

This debt will be retired from the Series 1998 Refunding Bond Fund and the Series 2005 Bond Retirement Fund (Debt Service Funds).

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. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 12.8% of property assessments as of October 1, 2006.

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds, 1998	variable	3-1-98	9-1-18	\$ 11,525,000	\$ 540,000
State aid capital improvement refunding bonds, 2005	variable	9-1-05	9-1-18	\$ 8,530,000	\$ 8,530,000
Total				\$ <u>20,055,000</u>	\$ <u>9,070,000</u>

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 540,000	\$ 284,354	\$ 824,354
2009	\$ 625,000	\$ 70,718	\$ 695,718
2010	\$ 670,000	\$ 70,718	\$ 740,718
2011	\$ 695,000	\$ 70,718	\$ 765,718
2012	\$ 720,000	\$ 70,718	\$ 790,718
2013 – 2017	\$ 3,995,000	\$ 353,590	\$ 4,348,590
2018 – 2023	\$ 1,825,000	\$ 71,395	\$ 1,896,395
Total	<u>\$ 9,070,000</u>	<u>\$ 992,211</u>	<u>\$ 10,062,211</u>

This debt will be retired from the MAEP Debt Retirement Funds (Debt Service Fund).

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.

C. Certificates of participation payable.

As more fully explained in Note 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation Series 2003	3.79%	8-1-03	8-1-23	\$ 3,000,000	\$ 2,570,000

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 120,000	\$ 97,402	\$ 217,402
2009	\$ 125,000	\$ 92,854	\$ 217,854
2010	\$ 130,000	\$ 88,116	\$ 218,116
2011	\$ 135,000	\$ 83,190	\$ 218,190
2012	\$ 140,000	\$ 78,074	\$ 218,074
2013 – 2017	\$ 775,000	\$ 306,986	\$ 1,081,986
2018 – 2022	\$ 935,000	\$ 150,762	\$ 1,085,762
2023	\$ 210,000	\$ 7,594	\$ 217,594
Total	<u>\$ 2,570,000</u>	<u>\$ 904,978</u>	<u>\$ 3,474,978</u>

This debt will be retired from the COP Debt Retirement Fund (Debt Service Fund).

D. Shortfall notes payable.

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

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

Year Ending June 30	Principal	Interest	Total
2008	\$ 243,333	\$ 29,983	\$ 273,316
2009	\$ 243,333	\$ 19,934	\$ 263,267
2010	\$ 243,334	\$ 9,967	\$ 253,301
Total	<u>\$ 730,000</u>	<u>\$ 59,884</u>	<u>\$ 789,884</u>

This debt will be retired from the Shortfall Note Fund (Debt Service Fund).

E. 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	Total
2008	\$ 67,180	\$ 16,728	\$ 83,908
2009	\$ 70,617	\$ 13,291	\$ 83,908
2010	\$ 74,229	\$ 9,678	\$ 83,907
2011	\$ 78,027	\$ 5,881	\$ 83,908
2012	\$ 69,555	\$ 1,889	\$ 71,444
Total	<u>\$ 359,608</u>	<u>\$ 47,467</u>	<u>\$ 407,075</u>

This debt will be retired from the Energy Conservation Retirement Fund (Debt Service Fund).

An energy efficiency lease agreement dated May 31, 2002, was executed by and between the district, the lessee, and the LaSalle National Bank, the lessor.

The agreement authorized the borrowing of \$659,245 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 Energy Conservation Retirement Fund (Debt Service Fund) and not exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

F. 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' salary 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.

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 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 \$3,673,008, \$3,322,069 and \$2,776,416, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2008	\$ 650,272
2009	\$ 642,944
2010	\$ 638,566
2011	\$ 609,056
2012	\$ 602,639
2013 – 2017	\$ 3,588,749
2018 – 2022	\$ 2,936,559
2023 – 2027	\$ 2,923,709
2028 – 2032	\$ 2,726,561
Thereafter	\$ 3,570,585
Total	<u>\$ 18,889,640</u>

(9) Prior Period Adjustments/Exhibits.

Exhibit B and Exhibit D	Amount	Explanation
General Fund		
District maintenance fund	\$ (21,645)	Adjustment by district to correct error
Miss. SBAC program fund	\$ 216,362	Audit adjustment to correct error
Total General Fund	<u>\$ 194,717</u>	
Other Governmental Funds		
Child nutrition fund	\$ 2,000	Adjustment by district to correct error
16 th section interest fund	\$ 1,211	Adjustment by district to correct error
Athletic facilities fund	\$ (15,315)	Audit adjustment to correct error
Total Other Governmental Funds	<u>\$ (12,104)</u>	
Total Exhibit D	<u>\$ 182,613</u>	
Total Exhibit B	<u>\$ 182,613</u>	

Lamar County School District
Notes to Financial Statements
For the Year Ended June 30, 2007

(10) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

(11) Trust Certificates.

A trust agreement dated August 1, 2003, was executed by and between the school district and the Lamar County Public School Improvement Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$3,000,000. Approximately \$2,922,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$78,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 4 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

(12) Special Items.

During the 2007 FY, the school district received \$590,207 from an insurance carrier for losses incurred as a result of damages caused by Hurricane Katrina in August 2005.

REQUIRED SUPPLEMENTARY INFORMATION

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Lamar County School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 14,952,655	\$ 17,637,426	\$ 16,266,201	\$ 2,684,771	\$ (1,371,225)
State sources	\$ 30,642,895	\$ 31,392,159	\$ 31,392,159	\$ 749,264	\$ -
Federal sources	\$ 351,940	\$ 252,512	\$ 446,284	\$ (99,428)	\$ 193,772
Total Revenues	\$ 45,947,490	\$ 49,282,097	\$ 48,104,644	\$ 3,334,607	\$ (1,177,453)
Expenditures					
Instruction	\$ 30,884,180	\$ 31,876,321	\$ 30,575,096	\$ (992,141)	\$ 1,301,225
Support services	\$ 16,199,477	\$ 17,801,277	\$ 16,634,705	\$ (1,601,800)	\$ 1,166,572
Noninstructional services	\$ 267,278	\$ 283,470	\$ 283,470	\$ (16,192)	\$ -
Facilities acquisition and construction	\$ -	\$ 15,159	\$ 11,704	\$ (15,159)	\$ 3,455
Debt service					
Interest	\$ 319,051	\$ 87,980	\$ 87,980	\$ 231,071	\$ -
Other	\$ -	\$ 4,866	\$ 4,866	\$ (4,866)	\$ -
Total Expenditures	\$ 47,669,986	\$ 50,069,073	\$ 47,597,821	\$ (2,399,087)	\$ 2,471,252
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,722,496)	\$ (786,976)	\$ 506,823	\$ 935,520	\$ 1,293,799
Other Financing Sources (Uses)					
Proceeds of loans	\$ -	\$ 640,259	\$ 640,259	\$ 640,259	\$ -
Insurance loss recoveries	\$ -	\$ 590,207	\$ 590,207	\$ 590,207	\$ -
Sale of other property	\$ -	\$ 18,540	\$ 18,540	\$ 18,540	\$ -
Operating transfers in	\$ 2,961,715	\$ 3,374,442	\$ 1,313,116	\$ 412,727	\$ (2,061,326)
Operating transfers out	\$ (4,772,859)	\$ (5,031,674)	\$ (2,970,348)	\$ (258,815)	\$ 2,061,326
Total Other Financing Sources (Uses)	\$ (1,811,144)	\$ (408,226)	\$ (408,226)	\$ 1,402,918	\$ -
Net Change in Fund Balances	\$ (3,533,640)	\$ (1,195,202)	\$ 98,597	\$ 2,338,438	\$ 1,293,799
Fund Balances					
July 1, 2006	\$ 5,987,066	\$ 6,826,400	\$ 6,826,335	\$ 839,334	\$ (65)
Prior period adjustments	\$ -	\$ (21,710)	\$ 194,717	\$ 21,710	\$ 216,427
July 1, 2006, as restated	\$ 5,987,066	\$ 6,804,690	\$ 7,021,052	\$ 817,624	\$ 216,362
June 30, 2007	\$ 2,453,426	\$ 5,609,488	\$ 7,119,649	\$ 3,156,062	\$ 1,510,161

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

Lamar County School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2007

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

SUPPLEMENTARY INFORMATION

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Lamar County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>169,755</u>
Child nutrition cluster:		
School breakfast program	10.553	\$ 549,460
National school lunch program	10.555	\$ <u>2,464,918</u>
Total child nutrition cluster		\$ <u>3,014,378</u>
Fresh fruit and vegetable program	10.582	\$ <u>59,452</u>
Total U.S. Department of Agriculture		\$ <u>3,243,585</u>
<u>U.S. Department of Justice</u>		
Passed-through Mississippi Governor's Office		
Public safety partnership and community policing grants	16.710	\$ <u>26,050</u>
Total U.S. Department of Justice		\$ <u>26,050</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ <u>116,000</u>
Total Federal Communications Commission		\$ <u>116,000</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,089,988
Vocational education - basic grants to states	84.048	\$ 84,195
Safe and drug free schools and communities - national programs	84.184	\$ 127,780
Safe and drug-free schools and communities - state grants	84.186	\$ 25,598
Fund for the improvement of education	84.215	\$ 58,698
State grants for innovative programs	84.298	\$ 11,070
Education technology - state grants	84.318	\$ 21,205
English language acquisition grants	84.365	\$ 17,459
Improving teacher quality - state grants	84.367	\$ 407,496
Grants for state assessments and related activities	84.369	\$ 45,332
Hurricane education recovery	84.938	\$ <u>740,001</u>
Total		\$ <u>2,628,822</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,521,803
Special education - preschool grants	84.173	\$ <u>45,027</u>
Total		\$ <u>1,566,830</u>
Total passed-through Mississippi Department of Education		\$ <u>4,195,652</u>
Total U.S. Department of Education		\$ <u>4,195,652</u>

Lamar County School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	\$ <u>296,855</u>
Total U.S. Department of Health and Human Services		\$ <u>296,855</u>
 <u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (presidentially declared disasters)	97.036	\$ <u>101,279</u>
Total U.S. Department of Homeland Security		\$ <u>101,279</u>
Total for All Federal Awards		\$ <u>7,979,421</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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 47,269,796	\$ 37,828,679	\$ 1,462,280	\$ 3,206,743	\$ 4,772,094
Other	\$ 39,330,731	\$ 5,623,428	\$ 537,484	\$ 155,978	\$ 33,013,841
Total	\$ 86,600,527	\$ 43,452,107	\$ 1,999,764	\$ 3,362,721	\$ 37,785,935
Total number of students	<u>7,645</u>				
Cost per student	<u>\$ 11,328</u>	<u>\$ 5,684</u>	<u>\$ 262</u>	<u>\$ 440</u>	<u>\$ 4,943</u>

Notes to the schedule.

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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Ridgeland, Mississippi 39158

Phone: 601.941.6649
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2007, which collectively comprise the district's basic financial statements and have issued my report thereon dated February 27, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My 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 that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 control deficiency, or combination of control deficiencies, that adversely affects the school district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. See Finding 2007-01 and 2007-02.

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.

My 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 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, I believe that the significant deficiencies described above are a material weakness.

Compliance and Other Matters

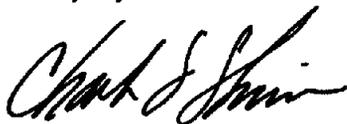
As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the school district's management in a separate letter dated February 27, 2008.

The school district's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the school district's response and, accordingly, I express no opinion on it.

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



Ridgeland, MS
February 27, 2008

CHARLES L. SHIVERS

Certified Public Accountant

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Lamar County School District

Compliance

I have audited the compliance of the Lamar 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 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, Lamar 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 Lamar County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I 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.

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



Ridgeland, MS
February 27, 2008

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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CHARLES L. SHIVERS

Certified Public Accountant

Post Office Box 2775
Ridgeland, Mississippi 39158

Phone: 601.941.6649
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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Lamar County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County School District as of and for the year ended June 30, 2007, which collectively comprise Lamar County School District's basic financial statements and have issued my report thereon dated February 27, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds."

The results of my 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 \$30,230 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 my 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, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other laws and regulations as required by the state legal compliance audit program prescribed by the Office of the State Auditor and my audit of the basic financial statements disclosed the following immaterial instance(s) of noncompliance with state laws and regulations. My finding(s) and recommendation(s) and your response(s) are as follows:

Finding:

From a sample of 78 sixteenth section leases tested, there were eight that were greater than sixty days past due for which the board had not taken any action. Section 29-3-57, Miss. Code of 1972 (Ann.) requires the school board to act on 16th section leases that are more than sixty days past due. This action can be an extension of time for payment or termination of the lease.

Recommendation:

The board should address the facts and circumstances that prevent past due leases from being timely brought to the board's attention. Upon notification of past due leases, the board should comply with Section 29-3-57.

Response:

The district concurs with the finding and recommendation.

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

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



Ridgeland, MS
February 27, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Lamar 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 basic financial statements: | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child Nutrition Cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | b. Special Education Cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of my tests disclosed the following findings related to the financial statements that are required to be reported by the *Government Auditing Standards*.

Finding.

2007-01

Generally accepted accounting principles were improperly applied regarding the initial recording of certain donated assets. The donated assets were accounted for in the fund level financial statements when they should have been accounted for only in the government wide financial statements. The cause of this condition appears to be an oversight of the business office and is considered an isolated incident. Appropriate application of generally accepted accounting principles insures properly stated financial statements. Such uncorrected conditions could result in materially misstated financial statements. This was corrected by auditor adjustments that were approved by management.

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

Recommendation.

It is recommended that correct and appropriate generally accepted accounting principles be applied in the processing of transactions and the preparation of year end financial statements.

Finding.

2007-02

Generally accepted accounting principles were improperly applied regarding certain year end closing and adjusting transactions affecting the presentation of debt and debt related transactions. Appropriate application of generally accepted accounting principles insures properly stated financial statements. The cause of this condition appears to be an oversight of the business office and a misunderstanding of certain generally accepted accounting principles. Such uncorrected conditions could result in materially misstated financial statements. This was corrected by auditor adjustments that were approved by management.

Recommendation.

It is recommended that correct and appropriate generally accepted accounting principles be applied in the preparation of year end financial statements.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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LAMAR COUNTY
SCHOOL DISTRICT
P.O. Box 609
Purvis, MS 39475

BOARD MEMBERS
President
Mr. Chris Ryals

Vice President
Dr. Kyle Hill

Secretary
Mr. Mike Pruitt

Members
Mr. Chris Hudson
Mr. Steve Lampton

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SUPERINTENDENT**
Betty Rose Breazeale
Phone: 601-794-5236

**BOARD
ATTORNEY**
Richard D. Norton
Phone: 601-261-4100

Corrective Action Plan

February 25, 2008

As required by Section 315(c) of OMB Circular A-133, the Lamar 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

2007-1

Corrective Action Plan

- a. Contact person responsible for corrective action – Jennifer Hession, Business Manager
- b. Description of correction action to be taken – Caution and due diligence will be exercised in the application of generally accepted accounting principles.
- c. Anticipated completion date of corrective action – Immediately

Finding

2007-2

Corrective Action Plan

- a. Contact person responsible for corrective action – Jennifer Hession, Business Manager
- b. Description of correction action to be taken – Caution and due diligence will be exercised in the application of generally accepted accounting principles.
- c. Anticipated completion date of corrective action – Immediately

Sincerely,

Ben Burnett
Superintendent of Education

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