



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**LOWNDES COUNTY SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2007**



# LOWNDES COUNTY SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT .....	1
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information .....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS .....	13
Statement of Net Assets .....	14
Statement of Activities .....	16
Balance Sheet - Governmental Funds.....	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	20
Statement of Fiduciary Net Assets .....	21
Statement of Changes in Fiduciary Net Assets.....	22
Notes to Financial Statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION .....	42
Budgetary Comparison Schedule.....	43
Notes to the Required Supplementary Information .....	44
SUPPLEMENTAL INFORMATION .....	45
Schedule of Expenditures of Federal Awards .....	46
Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds .....	48
REPORTS ON COMPLIANCE AND INTERNAL CONTROL .....	49
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> .....	50
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	52
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	54
Independent Auditor's Report on Compliance with State Laws and Regulations .....	55
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	57

**LOWNDES COUNTY SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Public Company Audit Firms

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

## INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board  
Lowndes County School District



T. E. Lott, CPA (1926-1971)  
T. E. Lott, Jr, CPA  
Charles M. Hawkins, CPA, CBA  
John F. Prince, CPA  
Nellah F. Taylor, CPA  
Jeffrey H. Read, CPA  
Thomas J. Buckley, CPA  
Vivian L. Yeatman, CPA  
Bobby G. Shaw, CPA, CBA  
Debby H. Gray, CPA, CPC  
Clayton H. Richardson, III, CPA, CVA  
J. Michael Prince, CPA  
Mark A. Vickers, CPA, CVA  
Stewart R. Greene, CPA  
J. H. Kennedy, Jr., CPA  
Samuel A. Bray, CPA  
Frank F. Gray, CPA  
Leslie W. Wood, CPA  
Lawrence E. Wilson, CPA  
David C. Neumann, CPA, CBA  
Louise L. Chappell, CPA  
John T. Frazier, CPA  
Kristy A. Tunnell, CPA



### COLUMBUS

221 North Seventh St.  
P.O. Box 471  
Columbus, MS 39703-0471  
Tel: 662.328.5387  
Fax: 662.329.4993

### STARKVILLE

106 B South Washington St.  
P.O. Box 80282  
Starkville, MS 39759-0282  
Tel: 662.323.1234  
Fax: 662.323.1284

### TUSCALOOSA

2422 12th St.  
Tuscaloosa, AL 35401  
Tel: 205.759.4195  
Fax: 205.759.1018

[www.telott.com](http://www.telott.com)  
[info@telott.com](mailto:info@telott.com)

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lowndes County School District, as of June 30, 2007, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2008, on our consideration of the Lowndes County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on Pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on Pages 43 and 44 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lowndes County School District's basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*J. E. Holt and Company*

Columbus, Mississippi  
June 3, 2008

**LOWNDES COUNTY SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The discussion and analysis of Lowndes County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in the 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.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34—*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$2,837,662 , which represents a 7.9% increase from fiscal year 2006.
- General revenues account for \$35,410,163 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$6,622,269 or 16% of total revenues.
- The District had \$39,233,999 in expenses; only \$6,622,269 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$35,410,163 were adequate to provide for these programs.
- Among major funds, the General Fund had \$34,265,693 in revenues, \$31,107,073 in expenditures and \$4,400,119 in net other financing uses. The General Fund's fund balance decreased \$1,241,499 compared to the prior year due to the transfer of \$2,827,143 to construction funds, additional local sources and state revenue.
- Capital assets, net of accumulated depreciation, increased by \$4,406,229.
- Long-term debt decreased by \$1,641,375 per amortization schedules.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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.

**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 showing all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and 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 on long-term liabilities.

The government-wide financial statements can be found on Pages 14 - 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 expendable resources, as well as on balances of expendable 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

**Governmental Funds.** (Continued)

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 funds balance sheet and the governmental funds 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.

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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on Pages 17 - 20 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 District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets on Page 21.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements. The notes to the financial statements can be found on Pages 23 - 41 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. Budgetary comparison statements have been provided for the General Fund and Local Building Fund. This required supplementary information can be found on Pages 42 - 44 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on Pages 46 - 47 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of a governmental entity's financial position. In the case of the District, assets exceeded liabilities by \$38,686,252 as of June 30, 2007.

By far the largest portion of the District's net assets (64%) is represented by its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, 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 for the fiscal years ended June 30, 2007, and June 30, 2006.

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Percentage Change</u>
Current Assets	\$ 16,721,418	\$ 21,081,477	(20.7%)
Capital Assets, net	<u>38,349,279</u>	<u>33,943,050</u>	13.0%
<b>Total Assets</b>	<b>55,070,697</b>	<b>55,024,527</b>	<b>.08%</b>
Current Liabilities	3,519,831	5,185,569	(32.1%)
Long-term Debt Outstanding	<u>12,864,614</u>	<u>13,990,368</u>	(8.0%)
<b>Total Liabilities</b>	<b>16,384,445</b>	<b>19,175,937</b>	<b>(14.6%)</b>
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt	24,718,865	18,671,261	32.4%
Restricted	8,790,170	10,784,722	(18.5%)
Unrestricted	<u>5,177,217</u>	<u>6,392,607</u>	(19.0%)
<b>Total Net Assets</b>	<b><u>\$ 38,686,252</u></b>	<b><u>\$ 35,848,590</u></b>	<b>7.9%</b>

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

- The principal retirement of \$1,641,375 of long-term debt.
- Cash decreased due to construction of building facilities and purchase of equipment.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2007 and 2006, were \$42,032,432 and \$41,594,166, respectively. The total costs of all programs and services were \$39,233,999 and \$37,872,536, respectively. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and 2006.

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,356,408	\$ 1,420,747	(4.5%)
Operating grants and contributions	5,265,861	5,448,230	(3.3%)
General revenues:			
Property taxes	10,874,007	10,457,114	3.9%
Grants and contributions not restricted	22,293,683	22,119,518	.7%
Other	<u>2,242,473</u>	<u>2,148,557</u>	4.3%
<b>Total Revenues</b>	<b>42,032,432</b>	<b>41,594,166</b>	<b>1.0%</b>
<b>Expenses:</b>			
Instruction	24,341,130	22,953,096	6.0%
Support services	12,055,394	12,100,893	(.3%)
Non-instructional	2,093,460	2,072,343	1.0%
Sixteenth Section	114,496	86,880	31.7%
Interest on long-term liabilities	<u>629,519</u>	<u>659,324</u>	(4.5%)
<b>Total Expenses</b>	<b>39,233,999</b>	<b>37,872,536</b>	<b>3.5%</b>
<b>Increase in Net Assets</b>	<b><u>\$ 2,798,433</u></b>	<b><u>\$ 3,721,630</u></b>	<b>(24.8%)</b>

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

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>	
Instruction	\$ 24,341,130	\$ 22,953,096	6.0%	\$ (20,933,248)	\$ (19,347,999)	8.1%
Support services	12,055,394	12,100,893	(.3%)	(10,798,728)	(10,696,212)	.9%
Non-instructional	2,093,460	2,072,343	1.0%	(143,860)	(213,144)	(32.5%)
Sixteenth Section	114,496	86,880	31.7%	(106,375)	(86,880)	22.4%
Interest on long-term liabilities	<u>629,519</u>	<u>659,324</u>	(4.5%)	<u>(629,519)</u>	<u>(659,324)</u>	(4.5%)
<b>Total Expenses</b>	<b><u>\$ 39,233,999</u></b>	<b><u>\$ 37,872,536</u></b>	<b>3.5%</b>	<b><u>\$ (32,611,730)</u></b>	<b><u>\$ (31,003,559)</u></b>	<b>5.1%</b>

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

**Governmental activities.** (Continued)

- Net cost of governmental activities of \$32,611,730 and \$31,003,559, was financed by general revenue, which is made up primarily of property taxes of \$10,874,007 and \$9,452,141 and state revenue of \$21,905,721 and \$21,804,642 for the years ended June 30, 2007 and 2006, respectively.
- Investment earnings accounted for \$671,249 and \$323,752 of the funding for the years ended June 30, 2007 and 2006, respectively.
- Sixteenth Section sources of \$174,087 and \$1,231,004 for the years ended June 30, 2007 and 2006, respectively, from oil, gas, and land leases.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$14,536,240, a decrease of \$3,263,836 due primarily to construction of building facilities and purchase of equipment. \$13,953,832 or 95.9% 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 \$582,408 or 4.1% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,241,499. The decrease in fund balance in the Construction Funds was \$2,298,448 and Sixteenth Section Interest Fund increase for the fiscal year was \$170,827 (resulting from leases primarily). The fund balance for Other Governmental Funds showed an increase of \$105,284 due to an increase over all funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

## BUDGETARY HIGHLIGHTS

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

- **GENERAL FUND:** Budget amounts for revenue from state sources were increased for Mississippi Adequate Education for teacher raises and increases in state health insurance. Budget amounts for revenue from local sources increased due to tax collections exceeding the levy amount, and in-lieu of taxes.

The 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 \$65,205,182, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$5,696,688 from the previous year. The significant additions were improvements to buildings and construction of facilities with the construction in progress balance decreasing by \$3,053,110. Total accumulated depreciation as of June 30, 2007, was \$26,855,903 and total depreciation expense for the year was \$1,487,683, resulting in total net assets of \$38,349,279.

	Capital Assets, Net of Depreciation		Percentage Change
	FY 2007	FY 2006	
Land	\$ 1,200,990	\$ 1,200,990	00.0%
Construction in progress	277,458	3,330,568	(91.6%)
Buildings	30,052,891	25,445,935	(18.1%)
Building improvements	1,483,437	-	100.0%
Improvements other than buildings	3,067,315	2,036,700	50.6%
Mobile equipment	2,034,937	1,652,628	23.1%
Furniture and equipment	232,251	276,229	(15.9%)
<b>Total</b>	<b>\$ 38,349,279</b>	<b>\$ 33,943,050</b>	<b>12.9%</b>

Additional information concerning the District's capital assets can be found in Note 5 on Page 33 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2007

**Debt Administration.** At June 30, 2007, the District had \$13,980,140 in general obligation bonds and other long-term debt outstanding, of which \$1,115,526 is due within one year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>FY 2007</u>	<u>FY 2006</u>	
General obligation bonds payable	\$ 455,000	\$ 1,110,000	(59.0%)
Three mill notes payable	7,725,000	8,100,000	(4.6%)
Obligations under capital leases	175,414	256,789	(31.6%)
Limited obligation bonds payable	5,275,000	5,805,000	(9.1%)
Compensated absences payable	349,726	356,006	(1.8%)
<b>Total</b>	<b><u>\$ 13,980,140</u></b>	<b><u>\$ 15,627,795</u></b>	<b>(10.5%)</b>

**CURRENT ISSUES**

The Lowndes 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 decreased 2.18 over twelve years. In addition, the District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The latest enrollment figures indicate that student enrollment in the District will decrease by 215 students. The budget for the next fiscal year has taken into account this change 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 Lowndes County School District, 1053 Highway 45 South, Columbus, Mississippi 39701. The phone number is (662) 244-5005. Michael L. Halford is the current superintendent.

**LOWNDES COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS**

## LOWNDES COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Governmental Governmental Activities
<i>ASSETS</i>	
Cash and cash equivalents (Notes 1-F and 3-A)	\$ 13,810,344
Investments (Notes 1-G and 3-B)	333,112
Due from other governments	1,484,990
Other receivables, net	20,498
Inventories and prepaid items (Note 1-H)	54,968
Restricted assets (Notes 1-G and 3-B)	1,017,506
Capital assets, not being depreciated (Notes 1-I and 5):	
Land	1,200,990
Construction in progress	277,458
Capital assets, net of accumulated depreciation (Notes 1-I and 5):	
Buildings	30,052,891
Building improvements	1,483,437
Improvements other than buildings	3,067,315
Mobile equipment	2,034,937
Furniture and equipment	<u>232,251</u>
Total Assets	<u>\$ 55,070,697</u>
<i>LIABILITIES</i>	
Accounts payable and accrued liabilities	\$ 2,165,017
Unearned revenue	20,161
Interest payable on long-term liabilities	219,127
Long-term liabilities, due within one year (Note 6):	
Capital related liabilities	1,115,526
Long-term liabilities, due beyond one year (Note 6):	
Capital related liabilities	12,514,888
Non-capital related liabilities	<u>349,726</u>
Total Liabilities	<u>\$ 16,384,445</u>

( Continued )

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

## LOWNDES COUNTY SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2007

(Continued)	<u>Primary Governmental Governmental Activities</u>
<i>NET ASSETS</i>	
Investment in capital assets, net of related debt	\$ 24,718,865
Restricted net assets:	
Expendable:	
School-based activities	3,362,763
Debt service	1,294,605
Capital improvements	3,602,150
Forestry improvements	3,212
Unemployment benefits	105,000
Non-expendable:	
Sixteenth Section	422,440
Unrestricted	<u>5,177,217</u>
Total Net Assets	<u>\$ 38,686,252</u>

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

LOWNDES COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$24,341,130	\$ 856,470	\$ 2,551,412	\$ -	\$ (20,933,248)
Support services	12,055,394	-	1,256,666	-	(10,798,728)
Non-instructional	2,093,460	491,817	1,457,783	-	(143,860)
Sixteenth Section	114,496	8,121	-	-	(106,375)
Interest on long-term liabilities	629,519	-	-	-	(629,519)
Total governmental activities	<u>\$39,233,999</u>	<u>\$ 1,356,408</u>	<u>\$ 5,265,861</u>	<u>\$ -</u>	<u>(32,611,730)</u>
		General Revenues			
		Taxes:			
					8,989,632
					639,423
					1,244,952
		Unrestricted grants and contributions:			
					21,905,721
					387,962
					671,249
					174,087
					1,397,137
					<u>35,410,163</u>
					2,798,433
					39,229
					<u>35,848,590</u>
					Net Assets - Ending
					<u>\$ 38,686,252</u>

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2007**

Major Funds

	General Fund	Local Construction Fund	Series 2006 Notes - Construction Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents (Notes I-F and 3A)	\$ 6,110,748	\$ 3,602,150	\$ -	\$ 2,862,048	\$ 1,657,838	\$ 14,232,784
Investments (Notes 1-G and 3-B)	333,112	-	-	-	595,066	928,178
Due from other governments	734,865	-	-	-	750,125	1,484,990
Due from other funds (Note 4)	159,614	-	-	-	-	159,614
Other receivables, net	-	-	-	14,858	5,640	20,498
Inventories and prepaid items	-	-	-	-	54,968	54,968
<b>Total Assets</b>	<b><u>\$ 7,338,339</u></b>	<b><u>\$ 3,602,150</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,876,906</u></b>	<b><u>\$ 3,063,637</u></b>	<b><u>\$ 16,881,032</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 1,850,391	\$ -	\$ -	\$ 5,000	\$ 309,626	\$ 2,165,017
Due to other funds (Note 4)	-	-	-	-	159,614	159,614
Deferred revenue	-	-	-	-	20,161	20,161
<b>Total Liabilities</b>	<b><u>1,850,391</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,000</u></b>	<b><u>489,401</u></b>	<b><u>2,344,792</u></b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Capital projects	-	277,458	-	-	-	277,458
Inventory	-	-	-	-	54,968	54,968
Investments	-	-	-	-	422,440	422,440
Unemployment	-	-	-	-	105,000	105,000
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	5,487,948	-	-	-	-	5,487,948
Special Revenue funds	-	-	-	2,871,906	439,101	3,311,007
Capital Projects funds	-	3,324,692	-	-	-	3,324,692
Debt Service funds	-	-	-	-	1,513,732	1,513,732
Permanent funds	-	-	-	-	38,995	38,995
<b>Total Fund Balances</b>	<b><u>5,487,948</u></b>	<b><u>3,602,150</u></b>	<b><u>-</u></b>	<b><u>2,871,906</u></b>	<b><u>2,574,236</u></b>	<b><u>14,536,240</u></b>
<b>Total Liabilities and and Fund Balances</b>	<b><u>\$ 7,338,339</u></b>	<b><u>\$ 3,602,150</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,876,906</u></b>	<b><u>\$ 3,063,637</u></b>	<b><u>\$ 16,881,032</u></b>

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

## LOWNDES COUNTY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 14,536,240
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$26,855,903. (Note 5)	38,349,279
2. Interest on long-term debt is recognized under modified accrual basis of accounting when due, rather than as it accrues.	(219,127)
3. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (Note 6)	<u>(13,980,140)</u>
Total Net Assets - Governmental Activities	<u>\$ 38,686,252</u>

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Major Funds					Total Governmental Funds
	General Fund	Local Construction Fund	Series 2006 Notes - Construction Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
<b>REVENUES</b>						
Local sources	\$ 11,715,340	\$ -	\$ 34,173	\$ 120,911	\$ 1,518,509	\$ 13,388,933
State sources	22,162,391	-	-	-	1,524,470	23,686,861
Federal sources	387,962	-	-	-	4,306,138	4,694,100
Sixteenth Section sources	-	-	-	100,295	81,913	182,208
Total Revenues	<u>34,265,693</u>	<u>-</u>	<u>34,173</u>	<u>221,206</u>	<u>7,431,030</u>	<u>41,952,102</u>
<b>EXPENDITURES</b>						
Instruction	20,057,094	-	-	-	3,341,502	23,398,596
Support services	11,046,658	78,225	926,525	-	1,316,897	13,368,305
Noninstructional services	3,321	-	-	-	1,996,748	2,000,069
Sixteenth Section	-	-	-	50,379	64,117	114,496
Facilities acquisition and construction	-	-	3,822,550	-	277,458	4,100,008
Debt service:						
Principal	-	-	-	-	1,641,375	1,641,375
Interest	-	-	-	-	673,214	673,214
Other	-	-	-	-	3,920	3,920
Total Expenditures	<u>31,107,073</u>	<u>78,225</u>	<u>4,749,075</u>	<u>50,379</u>	<u>9,315,231</u>	<u>45,299,983</u>
Excess (Deficiency) of Revenues Over Expenditures	3,158,620	(78,225)	(4,714,902)	170,827	(1,884,201)	(3,347,881)
<b>OTHER FINANCING SOURCES (USES)</b>						
Insurance loss recoveries	93,126	-	-	-	-	93,126
Sale of transportation equipment	9,054	-	-	-	-	9,054
Operating transfers in	3,243,646	2,827,143	2,233,407	-	2,399,668	10,703,864
Other financing sources	1,720	-	-	-	-	1,720
Operating transfers out	(7,740,765)	(2,565,871)	-	-	(397,228)	(10,703,864)
Other financing uses	(6,900)	-	-	-	-	(6,900)
Total Other Financing Sources (Uses)	<u>(4,400,119)</u>	<u>261,272</u>	<u>2,233,407</u>	<u>-</u>	<u>2,002,440</u>	<u>97,000</u>
Net Change in Fund Balances	(1,241,499)	183,047	(2,481,495)	170,827	118,239	(3,250,881)
Fund Balances:						
July 1, 2006	6,729,447	3,419,103	2,481,495	2,701,079	2,468,952	17,800,076
Decrease in reserve for inventory	-	-	-	-	(12,955)	(12,955)
June 30, 2007	<u>\$ 5,487,948</u>	<u>\$3,602,150</u>	<u>\$ -</u>	<u>\$2,871,906</u>	<u>\$ 2,574,236</u>	<u>\$ 14,536,240</u>

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

## LOWNDES 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**

Net Change in Fund Balances - Governmental Funds \$ (3,250,881)

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

1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$5,875,681, and the depreciation expense amounted to \$1,487,683. (Note 5)	4,387,998
2. Increase (decrease) in reserve for inventory	(12,955)
3. In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas, in governmental funds, proceeds from sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by proceeds from and loss on sales of capital assets.	
Proceeds from sales of capital assets	(16,670)
Loss on sales of capital assets	(4,328)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 6)	1,641,375
5. Compensated absences	6,280
6. Accrued interest on bonds	<u>47,614</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,798,433</u>

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**JUNE 30, 2007**

<i><b>ASSETS</b></i>	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents (Notes 1-F and 3-A)	\$ 11,838	\$ 19,696
Total Assets	<u>\$ 11,838</u>	<u>\$ 19,696</u>
 <i><b>LIABILITIES</b></i>		
Due to student clubs	\$ -	\$ 19,696
Total Liabilities	<u>\$ -</u>	<u>\$ 19,696</u>
 <i><b>NET ASSETS</b></i>		
Reserved for endowments	<u>\$ 11,838</u>	
Total Net Assets	<u>\$ 11,838</u>	

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

**LOWNDES COUNTY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Private- Purpose Trust Funds</u>
<b><i>ADDITIONS</i></b>	
Interest on investments	\$ <u>612</u>
Total Additions	612
<b><i>DEDUCTIONS</i></b>	
Scholarships awarded	<u>800</u>
Total Deductions	<u>800</u>
Change in Net Assets	(188)
Net Assets	
July 1, 2006	<u>12,026</u>
June 30, 2007	<u><u>\$ 11,838</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Lowndes County School District (the 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 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 District's governing board. As defined by accounting principles generally accepted in the United States of America, the District is considered a "primary government." The District is governed by a five-member board, with each member elected by the citizens of each defined county district.

**B. Basis of Presentation**

The 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 District as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Basis of Presentation** (Continued)

*Fund Financial Statements:*

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

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

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

The District reports the following major governmental funds:

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

Local Construction Fund - This fund accounts for major construction in the District funded by local resources.

Series 2006 Notes Construction Fund - This fund accounts for major construction in the District funded by notes.

Sixteenth Section Interest Fund - This fund accounts for rents, leases and sales of timber.

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**C. Measurement Focus and Basis of Accounting** (Continued)

Additionally, the 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.

## FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose Trust Funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

**D. Account Classifications**

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (Continued)

**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 District deposits excess funds in financial institutions selected by the School Board. State statutes specify how these depositories are to be selected.

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

**G. Investments**

The 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.

For accounting purposes, certificates of deposit are classified as investments if they have a maturity of 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 method).

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

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**I. Capital Assets**

Capital acquisition and construction costs 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 method for all assets, except land and construction in progress. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ -	-
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
Property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

**J. Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 loans receivable are reported as "due from other funds" and are considered available expendable resources.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year end.

**L. Equity Classifications**

*Government-wide Financial Statements:*

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**L. Equity Classifications** (Continued)

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

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

Reserved for capital projects - An account that represents a portion of the fund balance that is legally segregated for contractual commitments to third parties.

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

Reserved for investments - An account that represents a portion of the fund balance which indicates that Sixteenth Section Principal funds do not represent available spending resources.

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

**M. Property Taxes**

Ad valorem property taxes are levied by the governing authorities of the county on behalf of the District based upon an order adopted by the School Board of the District requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the 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.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)**O. Compensated Absences**

Employees of the District accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by District policy. Some employees are allowed personal leave and/or vacation leave in accordance with 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 a long-term liability 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, when an employee retires.

**NOTE 2 - CHANGES IN ACCOUNTING STANDARDS**

As required, the District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Standard requires governments to evaluate major events affecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this Standard.

**NOTE 3 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS****A. Cash and Cash Equivalents**

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

*Deposits*

The Board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the District's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the 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 Deposit Insurance Corporation.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 3 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued)****A. Cash and Cash Equivalents (Continued)**

The carrying amount of the District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,232,784 and \$31,534, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$13,810,344 and Restricted Assets - \$1,017,506. The Restricted Assets represent the cash balance of Sixteenth Section Principal Fund (Permanent Fund - \$422,440) and MAEP (\$595,066) for debt, which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$15,732,668.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2007, none of the District's bank balance of \$15,732,668 was exposed to custodial credit risk.

**B. Investments**

As of June 30, 2007, the District had the following investments:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank treasury money market	Less than 1	\$ 595,066	AAA
Trustmark National Bank treasury money market	Less than 1	<u>333,112</u>	AAA
Total Investments		<u>\$ 928,178</u>	

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

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

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 3 - CASH AND CASH EQUIVALENTS, AND INVESTMENTS (Continued)****B. Investments (Continued)**

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

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

**NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES****A. Due From / To Other Funds:**

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 159,614	\$ -
Other Governmental Funds	<u>-</u>	<u>159,614</u>
Total	<u>\$ 159,614</u>	<u>\$ 159,614</u>

All amounts due from and due to were to adjust deficit cash balances.

**B. Transfers In / Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 3,243,646	\$ 7,740,765
Local Construction Fund	2,827,143	2,565,871
Series 2006 Notes Construction Fund	2,233,407	-
Other Governmental Funds	<u>2,399,668</u>	<u>397,228</u>
Total Funds	<u>\$ 10,703,864</u>	<u>\$ 10,703,864</u>

Transfers in and out were for year end closing entries, indirect cost, correction of posting errors, payment obligations in debt service fund, and paying construction obligations under a capital project fund.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 5 - CAPITAL ASSETS**

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

	Balance 7-1-06	Additions	Retire- ments	Completed Construc- tion	Adjust- ments	Balance 6-30-07
<b><i>Non-depreciable capital assets</i></b>						
Land	\$ 1,200,990	\$ -	\$ -	\$ -	\$ -	\$ 1,200,990
Construction in progress	<u>3,330,568</u>	<u>5,019,956</u>	<u>-</u>	<u>(8,112,198)</u>	<u>39,132</u>	<u>277,458</u>
Total non- depreciable capital assets	<u>4,531,558</u>	<u>5,019,956</u>	<u>-</u>	<u>(8,112,198)</u>	<u>39,132</u>	<u>1,478,448</u>
<b><i>Depreciable capital assets:</i></b>						
Buildings	47,615,897	-	-	5,444,958	-	53,060,855
Building improvements	-	-	-	1,545,247	-	1,545,247
Improvements other than buildings	2,348,636	85,605	-	1,082,493	-	3,516,734
Mobile equipment	3,944,110	746,952	(208,000)	-	-	4,483,062
Furniture and equipment	<u>1,068,293</u>	<u>23,168</u>	<u>(19,774)</u>	<u>39,500</u>	<u>9,649</u>	<u>1,120,836</u>
Total depreciable capital assets	<u>54,976,936</u>	<u>855,725</u>	<u>(227,774)</u>	<u>8,112,198</u>	<u>9,649</u>	<u>63,726,734</u>
<b><i>Less accumulated depreciation for:</i></b>						
Buildings	22,169,962	838,002	-	-	-	23,007,964
Building improvements	-	61,810	-	-	-	61,810
Improvements other than buildings	311,936	137,483	-	-	-	449,419
Mobile equipment	2,291,482	343,843	(187,200)	-	-	2,448,125
Furniture and equipment	<u>792,064</u>	<u>106,545</u>	<u>(19,576)</u>	<u>-</u>	<u>9,552</u>	<u>888,585</u>
Total accumulated depreciation	<u>25,565,444</u>	<u>1,487,683</u>	<u>(206,776)</u>	<u>-</u>	<u>9,552</u>	<u>26,855,903</u>
Total depreciable capital assets, net	<u>29,411,492</u>	<u>(631,958)</u>	<u>(20,998)</u>	<u>8,112,198</u>	<u>97</u>	<u>36,870,831</u>
Governmental activities capital assets, net	<u>\$ 33,943,050</u>	<u>\$ 4,387,998</u>	<u>\$ (20,998)</u>	<u>\$ -</u>	<u>\$ 39,229</u>	<u>\$ 38,349,279</u>

**LOWNDES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 5 - CAPITAL ASSETS** (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 1,043,404
Support services	368,253
Non-instructional	<u>76,026</u>
Total depreciation expense	<u>\$ 1,487,683</u>

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

Adjustments:

Some heavy mobile equipment was transferred from furniture and equipment.

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
West Lowndes Middle	<u>\$ 277,458</u>	<u>\$ -</u>

The net adjustment to net assets is \$39,229 resulting from unrecorded computer equipment of \$9,649 with related accumulated depreciation of \$9,552 and unrecorded construction in progress of \$39,132.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES**

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

	Balance 7-01-06	Additions	Reductions	Adjustments	Balance 6-30-07	Amounts Due Within One Year
A. General obligation bonds payable	\$ 1,110,000	\$ -	\$ 655,000	\$ -	\$ 455,000	\$ 100,000
B. Limited obligation bonds payable	5,805,000	-	530,000	-	5,275,000	560,000
C. Three mill notes payable	8,100,000	-	375,000	-	7,725,000	370,000
D. Obligation under energy efficiency lease	256,789	-	81,375	-	175,414	85,526
E. Compensated absences payable	356,006	-	6,280	-	349,726	-
Total	<u>\$ 15,627,795</u>	<u>\$ -</u>	<u>\$ 1,647,655</u>	<u>\$ -</u>	<u>\$ 13,980,140</u>	<u>\$ 1,115,526</u>

**A. General Obligation Bonds Payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, COP Refunding - Series 2001	3.3% - 4.3%	7/1/01	1/1/11	\$ 3,965,000	\$ 455,000

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 100,000	\$ 19,283	\$ 119,283
2009	120,000	15,082	135,082
2010	125,000	10,043	135,043
2011	110,000	4,730	114,730
Total	<u>\$ 455,000</u>	<u>\$ 49,138</u>	<u>\$ 504,138</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)**A. General Obligation Bonds Payable** (Continued)

The amount of bond indebtedness that can be incurred by the 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 .5% of property assessments as of October 1, 2006. This debt will be retired from the debt service funds.

**B. Limited Obligation Bonds Payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds Series 1998	4.2% - 6.0%	5/1/98	8/1/14	<u>\$8,530,000</u>	<u>\$ 5,275,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 560,000	\$ 227,430	\$ 787,430
2009	585,000	202,240	787,240
2010	610,000	175,645	785,645
2011	640,000	147,200	787,200
2012	670,000	117,070	787,070
2013 - 2015	<u>2,210,000</u>	<u>155,480</u>	<u>2,365,480</u>
Total	<u>\$ 5,275,000</u>	<u>\$ 1,025,065</u>	<u>\$ 6,300,065</u>

State aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the District receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7 Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the debt service fund.

**LOWNDES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

**C. Three Mill - Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill notes payable	3.9% - 5.5%	09/01/01	09/01/11	\$ 3,500,000	\$ 1,770,000
Three mill notes payable	4.15%	12/15/05	09/01/21	<u>6,000,000</u>	<u>5,955,000</u>
				<u>\$ 9,500,000</u>	<u>\$ 7,725,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 370,000	\$ 308,917	\$ 678,917
2009	375,000	294,326	669,326
2010	400,000	279,120	679,120
2011	405,000	263,304	668,304
2012	450,000	246,469	696,469
2013 - 2021	<u>5,725,000</u>	<u>1,170,611</u>	<u>6,895,611</u>
Total	<u>\$ 7,725,000</u>	<u>\$2,562,747</u>	<u>\$10,287,747</u>

This debt will be retired from the debt service fund.

**D. Obligations Under Energy Efficiency Lease**

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 85,526	\$ 8,946	\$ 94,472
2009	<u>89,888</u>	<u>4,585</u>	<u>94,473</u>
Total	<u>\$ 175,414</u>	<u>\$ 13,531</u>	<u>\$ 188,945</u>

An energy efficiency lease agreement dated August 26, 1998, was executed by and between the District, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$725,960 for the purchase of energy efficiency equipment, machinery, supplies, building modifications, and other energy saving items. Payments of the lessee shall be made from the debt service fund and are not to exceed ten (10) years.

**LOWNDES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

38

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

**D. Obligations Under Energy Efficiency Lease** (Continued)

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

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

This debt will be retired from the debt service funds.

**E. Compensated Absences Payable**

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries are paid.

**NOTE 7 - DEFINED BENEFIT PENSION PLAN**

*Plan Description.* The 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, Mississippi 39201, or by calling (601) 359-3589 or 1-800-444-PERS.

*Funding Policy.* PERS members are required to contribute 7.25% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ended June 30, 2007, 2006 and 2005, were \$2,409,094, \$2,246,719, and \$1,945,582, respectively, which equaled the required contributions for each year.

**LOWNDES COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 8 - OTHER COMMITMENTS**

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amounted to \$92,602.

*Operating Leases:*

The District has several operating leases for copying equipment. Lease expenditures for the year ended June 30, 2007, amounted to \$46,273. Future lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 39,266
2009	23,534
2010	12,265
2011	<u>9,523</u>
Total	<u>\$ 84,588</u>

The District has a service agreement for an energy efficiency lease. Service expenditures for the year ended June 30, 2007, amounted to \$47,380. Future service payments for the service agreement are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	<u>\$ 48,800</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 9 - 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 District for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 103,730
2009	100,610
2010	97,417
2011	90,878
2012	84,165
2013 - 2017	419,568
2018 - 2022	419,384
2023 - 2027	418,904
2028 - 2032	406,093
2033 - 2037	352,668
2038 - 2042	166,021
2043 - 2047	59,837
2048 - 2052	8,471
2053 - 2057	8,211
2058 - 2062	7,991
2063 - 2067	6,938
2068 - 2072	4,810
Total	<u>\$ 2,755,695</u>

**NOTE 10 - RISK MANAGEMENT**

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

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

***NOTE 11- PRIOR YEAR DEFEASANCE OF DEBT***

In prior years, the District defeased certain general and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's financial statements. On June 30, 2007, \$570,000 of bonds outstanding were defeased.

***NOTE 12 - SUBSEQUENT EVENT***

In January, 2008, an F3 tornado damaged property located on the Caledonia High School campus. Estimated replacement cost for property and buildings will be \$5.5 million with estimated insurance reimbursement to be received of \$5.2 million. The additional cost above reimbursement is planned to be used to consolidate some buildings due to growth of the campus.

**LOWNDES COUNTY SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

## LOWNDES COUNTY SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE

## GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES</b>					
Local sources	\$ 11,413,367	\$ 11,715,340	\$ 11,715,340	\$ 301,973	\$ -
State sources	21,805,459	22,098,666	22,162,391	293,207	63,725
Federal sources	371,591	387,962	387,962	16,371	-
Total Revenues	<u>33,590,417</u>	<u>34,201,968</u>	<u>34,265,693</u>	<u>611,551</u>	<u>63,725</u>
<b>EXPENDITURES</b>					
Instruction	20,576,244	20,057,094	20,057,094	519,150	-
Support services	10,772,433	11,046,658	11,046,658	(274,225)	-
Noninstructional services	1,799	3,321	3,321	(1,522)	-
Total Expenditures	<u>31,350,476</u>	<u>31,107,073</u>	<u>31,107,073</u>	<u>243,403</u>	<u>-</u>
Excess of Revenues Over Expenditures	2,239,941	3,094,895	3,158,620	854,954	63,725
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance loss recoveries	-	93,126	93,126	93,126	-
Sale of transportation equipment	-	9,054	9,054	9,054	-
Indirect costs	118,957	51,320	-	(67,637)	(51,320)
Operating transfers in	3,323,827	3,192,326	3,243,646	(131,501)	51,320
Other financing sources	-	1,720	1,720	1,720	-
Operating transfers out	(4,870,642)	(7,740,765)	(7,740,765)	(2,870,123)	-
Other financing uses	-	(6,900)	(6,900)	(6,900)	-
Total Other Financing Sources (Uses)	<u>(1,427,858)</u>	<u>(4,400,119)</u>	<u>(4,400,119)</u>	<u>(2,972,261)</u>	<u>-</u>
Net Change in Fund Balance	<u>812,083</u>	<u>(1,305,224)</u>	<u>(1,241,499)</u>	<u>(2,117,307)</u>	<u>63,725</u>
Fund Balance:					
July 1, 2006, as originally prepared	6,117,157	6,117,157	6,729,447	-	612,290
Prior period adjustments	-	500,000	-	500,000	(500,000)
July 1, 2006, as restated	<u>6,117,157</u>	<u>6,617,157</u>	<u>6,729,447</u>	<u>500,000</u>	<u>112,290</u>
June 30, 2007	<u>\$ 6,929,240</u>	<u>\$ 5,311,933</u>	<u>\$ 5,487,948</u>	<u>\$(1,617,307)</u>	<u>\$ 176,015</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**SUPPLEMENTAL INFORMATION**

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Federal Expenditures
<b><i>U. S. Department of Agriculture</i></b>		
Passed-Through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 127,610
Child nutrition cluster:		
School breakfast program	10.553	309,772
National school lunch program	10.555	984,609
Summer food source program for children	10.559	3,575
Total		<u>1,297,956</u>
Total U. S. Department of Agriculture		<u>1,425,566</u>
<b><i>U. S. Department of Education</i></b>		
Passed-Through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,204,402
Vocational education - basic grants to states	84.048	62,046
Safe and drug-free schools and communities - state grants	84.186	16,640
Education for homeless children and youth	84.196	9,964
State grants for innovative program	84.298	26,757
Educational technology state grants	84.318	19,815
Title VI	84.358	76,286
Title III language instruction for LEP	84.365	310
Improving teacher quality - state grants	84.367	323,622
Grants for state assessments and related activities	84.369	33,094
Total		<u>1,772,936</u>
Special Education Cluster:		
Special education - grants to states	84.027	1,002,908
Special education - preschool grants	84.173	31,649
Total		<u>1,034,557</u>
Total Passed-Through Mississippi Department of Education		<u>2,807,493</u>
Total U. S. Department of Education		<u>2,807,493</u>

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

(Continued)

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures</u>
<b><i>U. S. Department of Defense</i></b>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	\$ <u>52,165</u>
Total U. S. Department of Defense		<u>52,165</u>
<b><i>Federal Communications Commission</i></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>53,450</u>
Total Federal Communications Commission		<u>53,450</u>
Total for all Federal Awards		\$ <u>4,338,674</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 District.

**SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,  
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administra- tion	School Administra- tion	Other
Salaries and fringe benefits	\$ 28,859,595	\$ 22,889,105	\$ 661,024	\$ 2,011,447	\$ 3,298,019
Other	<u>16,440,388</u>	<u>3,622,714</u>	<u>272,581</u>	<u>28,313</u>	<u>12,516,780</u>
	<u>\$ 45,299,983</u>	<u>\$ 26,511,819</u>	<u>\$ 933,605</u>	<u>\$ 2,039,760</u>	<u>\$ 15,814,799</u>
 Total number of students	 <u>5,462</u>				
 Cost per student	 \$ <u>8,294</u>	\$ <u>4,854</u>	\$ <u>171</u>	\$ <u>374</u>	\$ <u>2,896</u>

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

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

**General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

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

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

**LOWNDES COUNTY SCHOOL DISTRICT**

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Public Company Audit Firms

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

**INDEPENDENT AUDITORS' 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  
 Lowndes County School District



T. E. Lott, CPA (1926-1971)  
 T. E. Lott, Jr. CPA  
 Charles M. Hawkins, CPA, CBA  
 John F. Prince, CPA  
 Nellah F. Taylor, CPA  
 Jeffrey H. Read, CPA  
 Thomas J. Buckley, CPA  
 Vivian L. Yeatman, CPA  
 Bobby G. Shaw, CPA, CBA  
 Debby H. Gray, CPA, CPC  
 Clayton H. Richardson, III, CPA, CVA  
 J. Michael Prince, CPA  
 Mark A. Vickers, CPA, CVA  
 Stewart R. Greene, CPA  
 J. H. Kennedy, Jr., CPA  
 Samuel A. Bray, CPA  
 Frank F. Gray, CPA  
 Leslie W. Wood, CPA  
 Lawrence E. Wilson, CPA  
 David C. Neumann, CPA, CBA  
 Louise L. Chappell, CPA  
 John T. Frazier, CPA  
 Kristy A. Tunnell, CPA



**COLUMBUS**

221 North Seventh St.  
 P.O. Box 471  
 Columbus, MS 39703-0471  
 Tel: 662.328.5387  
 Fax: 662.329.4993

**STARKVILLE**

106 B South Washington St.  
 P.O. Box 80282  
 Starkville, MS 39759-0282  
 Tel: 662.323.1234  
 Fax: 662.323.1284

**TUSCALOOSA**

2422 12th St.  
 Tuscaloosa, AL 35401  
 Tel: 205.759.4195  
 Fax: 205.759.1018

www.telott.com  
 info@telott.com

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2007, which collectively comprise Lowndes County School District's basic financial statements, and have issued our report thereon dated June 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the District in a separate letter dated June 3, 2008.

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

*J. E. Lott and Company*

Columbus, Mississippi  
June 3, 2008

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Registered with Public Company Accounting Oversight Board

American Institute of Certified Public Accountants

Member of Center for Public Company Audit Firms

Member of Employee Benefit Plan Audit Quality Center

Member of Governmental Audit Quality Center

Private Companies Practice Section

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

Superintendent and School Board  
Lowndes County School District



**Compliance**

T. E. Lott, CPA (1926-1971)  
T. E. Lott, Jr, CPA  
Charles M. Hawkins, CPA, CBA  
John F. Prince, CPA  
Nellah F. Taylor, CPA  
Jeffrey H. Read, CPA  
Thomas J. Buckley, CPA  
Vivian L. Yeatman, CPA  
Bobby G. Shaw, CPA, CBA  
Debby H. Gray, CPA, CPC  
Clayton H. Richardson, III, CPA, CVA  
J. Michael Prince, CPA  
Mark A. Vickers, CPA, CVA  
Stewart R. Greene, CPA  
J. H. Kennedy, Jr., CPA  
Samuel A. Bray, CPA  
Frank F. Gray, CPA  
Leslie W. Wood, CPA  
Lawrence E. Wilson, CPA  
David C. Neumann, CPA, CBA  
Louise L. Chappell, CPA  
John T. Frazier, CPA  
Kristy A. Tunnell, CPA



**COLUMBUS**

221 North Seventh St.  
P.O. Box 471  
Columbus, MS 39703-0471  
Tel: 662.328.5387  
Fax: 662.329.4993

**STARKVILLE**

106 B South Washington St.  
P.O. Box 80282  
Starkville, MS 39759-0282  
Tel: 662.323.1234  
Fax: 662.323.1284

**TUSCALOOSA**

2422 12th St.  
Tuscaloosa, AL 35401  
Tel: 205.759.4195  
Fax: 205.759.1018

[www.telott.com](http://www.telott.com)  
[info@telott.com](mailto:info@telott.com)

We have audited the compliance of the Lowndes 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 auditors' 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 District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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

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

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

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

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

*J. E. Holt and Company*

Columbus, Mississippi  
June 3, 2008

**LOWNDES COUNTY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

Alabama Society of Certified Public Accountants  
Mississippi Society of Certified Public Accountants  
Registered with Public Company Accounting Oversight Board  
American Institute of Certified Public Accountants  
Member of Center for Public Company Audit Firms  
Member of Employee Benefit Plan Audit Quality Center  
Member of Governmental Audit Quality Center  
Private Companies Practice Section

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Lowndes County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lowndes County School District as of and for the year ended June 30, 2007, which collectively comprise Lowndes County School District's basic financial statements and have issued our report thereon dated June 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure 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 our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instance of noncompliance. The District reported \$472 of classroom supply funds carried over from previous years.

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

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

T. E. Lott, CPA (1926-1971)  
T. E. Lott, Jr. CPA  
Charles M. Hawkins, CPA, CBA  
John F. Prince, CPA  
Nellah F. Taylor, CPA  
Jeffrey H. Read, CPA  
Thomas J. Buckley, CPA  
Vivian L. Yeatman, CPA  
Bobby G. Shaw, CPA, CBA  
Debby H. Gray, CPA, CPC  
Clayton H. Richardson, III, CPA, CVA  
J. Michael Prince, CPA  
Mark A. Vickers, CPA, CVA  
Stewart R. Greene, CPA  
J. H. Kennedy, Jr., CPA  
Samuel A. Bray, CPA  
Frank F. Gray, CPA  
Leslie W. Wood, CPA  
Lawrence E. Wilson, CPA  
David C. Neumann, CPA, CBA  
Louise L. Chappell, CPA  
John T. Frazier, CPA  
Kristy A. Tunnell, CPA

### COLUMBUS

221 North Seventh St.  
P.O. Box 471  
Columbus, MS 39703-0471  
Tel: 662.328.5387  
Fax: 662.329.4993

### STARKVILLE

106 B South Washington St.  
P.O. Box 80282  
Starkville, MS 39759-0282  
Tel: 662.323.1234  
Fax: 662.323.1284

### TUSCALOOSA

2422 12th St.  
Tuscaloosa, AL 35401  
Tel: 205.759.4195  
Fax: 205.759.1018

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

**1. Finding:**

The District has eleven Sixteenth Section leases past due more than 60 days totaling \$2,445, which were not terminated. The Board did not document the extenuating circumstances for not terminating the leases.

**Recommendation:**

Sixteenth Section leases past due 60 days should be terminated, or the Board should document the extenuating circumstances if not terminating as required by Section 29-3-57.

**Response:**

Starting June 20, 2007, the Sixteenth Section manager notified the lease holders of leases being past due by the following schedule:

15 days overdue-phone call and letter of notification

30 days overdue-phone call and a certified letter (return/receipt request)

45 days overdue-phone call and a letter of notification

60 days overdue-phone call and a certified letter of notification of termination of lease with information to appear before the board for extenuating circumstances

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 ensure that corrective action has been taken.

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

*J. E. Lott and Company*

Columbus, Mississippi  
June 3, 2008

**LOWNDES COUNTY SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

**Section 1: Summary of Auditors' Results***Financial Statements:*

- |   |             |
|---|-------------|
| 1. Type of auditors' report issued on the financial statements:                         | Unqualified |
| 2. Material noncompliance relating to the financial statements?                         | No          |
| 3. Internal control over financial reporting:   |             |
| a. Material weaknesses identified?  | No          |
| b. Significant deficiencies identified that are not considered to be material weakness? | No          |

*Federal Awards:*

- |   |             |
|---|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs:              | Unqualified |
| 5. Internal control over major programs:  |             |
| a. Material weaknesses identified?  | No          |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | No          |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?      | No          |

( Continued )

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

**Section 1: Summary of Auditors' Results (Continued)**

7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:
    - CFDA #10.553
    - CFDA #10.555
    - CFDA #10.559
  - b. Title I - Grants to local educational agencies - CFDA #84.010
  - c. Special Education Cluster:
    - CFDA #84.027
    - CFDA #84.173
  - d. Improving teacher quality - state grants CFDA #84.367
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

**Section 2: Financial Statement Findings**

*Significant Deficiencies*

The results of our tests did not disclose any finding related to financial statement significant deficiencies.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

**Section 3: Federal Awards Findings and Questioned Costs**

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