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LUMBERTON PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2007

LUMBERTON PUBLIC SCHOOL DISTRICT
LUMBERTON, MISSISSIPPI

BOARD OF TRUSTEES

John W. Atwood
Mike Hurt
Craig Ledet
Julia' Knue
Earl Winston

SUPERINTENDENT

Robert D. Walker, PH. D.

Business Manager

Jana H. Grenn

LUMBERTON PUBLIC SCHOOL DISTRICT

Table of Contents

FINANCIAL AUDIT REPORT

Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	5
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MANAGEMENT'S DISCUSSION AND ANALYSIS	7
--------------------------------------	---

FINANCIAL STATEMENTS

EXHIBIT A: Statement of Net Assets	18
EXHIBIT B: Statement of Activities	19
EXHIBIT C: Balance Sheet – Governmental Funds	20
EXHIBIT C-1: Reconciliation of Governmental Funds to the Statement of Net Assets	21
EXHIBIT D: Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
EXHIBIT D-1: Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	23
EXHIBIT E: Statement of Net Assets – Fiduciary Funds	24

NOTES TO THE FINANCIAL STATEMENTS	25
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REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1A: Budgetary Comparison Schedule for the General Fund	42
Schedule 1B: Budgetary Comparison Schedule for the Sixteenth Section Interest Fund	43
Notes to the Required Supplementary Information	44

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards	46
Schedule of Instructional Expenses	47

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Independent Auditors' Report on Internal Control over Financial Reporting And Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u>	49
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LUMBERTON PUBLIC SCHOOL DISTRICT

Table of Contents (continued)

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	52
Independent Auditors' Report on Compliance with State Laws and Regulations	55
Schedule of Findings and Questioned Costs	57
AUDITEE'S REPORTS	
Auditee's Corrective Action Plan	60
Auditee's Summary Schedule of Prior Audit Findings	62

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Certified Public Accountants

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

Superintendent and School Board
Lumberton Public School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lumberton Public 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.

Independent Auditor's Report
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2008 on our consideration of the Lumberton Public 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 8 through 17 and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 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 Lumberton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

King CPA, PLLC

King CPA, PLLC
Petal, Mississippi
June 30, 2008

LUMBERTON PUBLIC SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$2,706,194, which represents a 40% increase from fiscal year 2006. This increase in net assets is primarily due to the following: 1) insurance loss recoveries received during the fiscal year totaling \$1,742,272 resulting from Hurricane Katrina, 2) capital outlays of \$541,277 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 3) repayment of debt principal in the amount of \$127,612 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues accounted for \$7,681,487 in revenue, or 80% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,962,915, or 20% of total revenues.
- The District had \$6,900,750 in expenses; only \$1,962,915 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,681,487 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,356,837 in revenues and \$5,190,001 in expenditures. After net other financing sources of \$943,505 and an extraordinary item of \$37,458, the net change in fund balance for the General Fund was an increase of \$1,072,883 from the previous fiscal year. This increase is due primarily to insurance loss recoveries received during the fiscal year resulting from Hurricane Katrina.
- Capital assets, net of accumulated depreciation, increased by \$344,146.
- Long-term debt decreased by \$124,132.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

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

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

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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

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

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

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

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is also included in this report.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT 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 government's financial position. In the case of the District, assets exceeded liabilities by \$9,449,543 as of June 30, 2007.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,512,985 of the District's net assets (27%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), 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. \$3,030,361 of the District's net assets (32%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$3,906,197 of the District's net assets (41%) reflects its unrestricted net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	Net Assets		Percentage
	June 30, 2007	June 30, 2006	Change
Current assets	\$ 6,668,217	\$ 5,019,663	32.8 %
Other assets	783,450	536,950	45.9 %
Capital assets, net	4,672,385	4,328,239	8.0 %
Total assets	12,124,052	9,884,852	22.7 %
Current liabilities	491,120	833,982	(41.1) %
Long-term debt outstanding	2,183,389	2,307,521	(5.4) %
Total liabilities	2,674,509	3,141,503	(14.9) %
Net assets:			
Invested in capital assets, net of related debt	2,512,985	2,041,227	23.1 %
Restricted	3,030,361	4,293,103	(29.4) %
Unrestricted	3,906,197	409,019	855.0 %
Total net assets	\$ 9,449,543	6,743,349	40.1 %

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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

- Current assets increased from the previous fiscal year due primarily to an increase in investments and amounts due from other governments.
- Other assets (restricted assets) increased from the previous fiscal year due primarily to an increase in cash and cash equivalents and investments in the Sixteenth Section Principal Fund.
- Capital assets increased from the previous fiscal year due primarily to improvements to school facilities, the purchase of a new school bus and various items of furniture and equipment.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the reduction of long-term debt related to the capital assets.
- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for capital improvements. In the previous fiscal year, net assets related to capital improvements were reported as restricted net assets. In the current fiscal year, net assets related to capital improvements are reported as unrestricted because the net assets are a result of the transfer of funds from the General Fund and are not debt related.
- Unrestricted net assets increased from the previous fiscal year due primarily to the reporting of net assets related to capital improvements as unrestricted rather than restricted assets as explained above. The increase in unrestricted net assets is also a result of the increase in the fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$9,644,402. The total cost of all programs and services was \$6,900,750. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 157,820	\$ 187,214	(15.7) %
Operating grants and contributions	1,805,095	1,774,073	1.7 %
General revenues:			
Property taxes	1,264,436	1,297,018	(2.5) %
Grants and contributions not restricted	4,119,172	3,954,211	4.2 %
Other	<u>2,297,879</u>	<u>894,058</u>	157.0 %
Total revenues	<u>9,644,402</u>	<u>8,106,574</u>	19.0 %
Expenses:			
Instruction	4,106,375	3,681,919	11.5 %
Support services	2,140,446	3,394,622	(36.9) %
Non-instructional	553,022	515,279	7.3 %
Sixteenth section	0	15,212	(100.0) %
Interest and other expenses on long-term liabilities	<u>100,907</u>	<u>110,280</u>	(8.5) %
Total expenses	<u>6,900,750</u>	<u>7,717,312</u>	(10.6) %
Extraordinary items	<u>(37,458)</u>	<u>0</u>	
Increase (Decrease) in net assets	2,706,194	389,262	595.2 %
Net Assets, July 1	6,743,349	6,333,694	6.5 %
Prior Period Adjustments	<u>0</u>	<u>20,393</u>	(100.0) %
Net Assets, Restated, July 1	<u>6,743,349</u>	<u>6,354,087</u>	6.1 %
Net Assets, June 30	<u>\$ 9,449,543</u>	<u>\$ 6,743,349</u>	40.1 %

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

- General revenues increased from the previous fiscal year due primarily to an increase in other general revenue which included insurance loss recoveries received during the fiscal year related to Hurricane Katrina.
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits, including an increase in retirement contributions and insurance costs.
- Support services expenses decreased from the previous fiscal year due primarily to a decrease in repair and maintenance expenses. In the previous fiscal year, the District incurred greater repair and maintenance expenses resulting from damages caused by Hurricane Katrina.

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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

	<u>2007</u>		<u>2006</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 4,106,375	\$ (2,973,015)	\$ 3,681,919	\$ (2,540,572)
Support services	2,140,446	(1,833,841)	3,394,622	(3,049,715)
Non-instructional	553,022	(30,072)	515,279	(40,246)
Sixteenth section	0	0	15,212	(15,212)
Interest and other expenses on long-term liabilities	<u>100,907</u>	<u>(100,907)</u>	<u>110,280</u>	<u>(110,280)</u>
Total expenses	\$ 6,900,750	\$ (4,937,835)	\$ 7,717,312	\$ (5,756,025)

- The net cost of governmental activities for fiscal year 2007 in the amount of \$4,937,835 was financed by general revenue, which is made up of primarily property taxes of \$1,264,436, state revenue of \$4,099,718 and other general revenue of \$1,775,029.
- Investment earnings accounted for \$191,962 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$6,992,805. The net change in fund balance for the fiscal year was an increase of \$2,234,628 due primarily to insurance loss recoveries received during the fiscal year resulting from damages caused by Hurricane Katrina. \$5,944,405, or 85%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Project Funds is a result of transfers from the General Fund and will be used for future renovation and construction projects. The portion of the unreserved, undesignated fund balance reported in the Permanent Funds is a result of earnings on sixteenth section investments that have not yet been transferred to the 16th Section Interest Funds but may be transferred in the future. The remaining fund balance of \$1,048,400, or 15%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$1,072,883 due primarily to insurance loss recoveries received during the fiscal year resulting from damages caused by Hurricane Katrina. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of \$164,503 due to revenue generated during the fiscal year primarily from sixteenth section leases and earnings on investments. The net change in fund balance for the Lumberton Building Fund for the fiscal year was an increase of \$740,126 due primarily to the transfer of funds from the General Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$257,116 due to the excess of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for insurance loss recoveries in the General Fund were increased to reflect the actual recoveries received during the fiscal year resulting from damages caused by Hurricane Katrina. Amounts originally budgeted were understated.
- Budgeted amounts for transfers in and transfers out of the General Fund were increased to more accurately reflect actual transfers for the fiscal year. Amounts originally budgeted were understated.
- Budgeted amounts for revenue from sixteenth section sources in the 16th Section Interest Funds were increased to reflect the increase in revenue generated from sixteenth section leases and earnings on investments. Amounts originally budgeted were understated.
- Budget revisions were made to reflect transfers in and transfers out of the Lumberton Building Fund. The transfers were not included in the original budget.

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

LUMBERTON PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets, before depreciation, were \$6,711,421, including land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$512,295 from the previous year. During the fiscal year, the District made improvements to school facilities, purchased a new school bus and purchased various items of furniture and equipment. Total depreciation expense for the year was \$196,841. Total accumulated depreciation as of June 30, 2007 was \$2,039,036, resulting in total net capital assets of \$4,672,385.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 53,382	\$ 53,382	0.0 %
Buildings	3,173,766	3,253,389	(2.4) %
Improvements other than buildings	941,189	546,304	72.3 %
Mobile equipment	154,199	133,117	15.8 %
Furniture and equipment	113,800	98,308	15.8 %
Leased property under capital leases	<u>236,049</u>	<u>243,739</u>	(3.2) %
Total	\$ 4,672,385	\$ 4,328,239	8.0 %

Debt Administration. At June 30, 2007, the District had \$2,183,389 in limited obligation bonds and other long-term debt outstanding, of which \$135,600 is due within one year. During the fiscal year, the District made principal payments in the amount of \$127,612 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2007</u>	<u>2006</u>	
Limited obligation bonds payable	\$ 1,250,000	\$ 1,325,000	(5.7) %
Three mill notes payable	885,000	915,000	(3.3) %
Obligations under capital leases	24,400	47,012	(48.1) %
Compensated absences payable	<u>23,989</u>	<u>20,509</u>	17.0 %
Total	\$ 2,183,389	\$ 2,307,521	(5.4) %

CURRENT ISSUES

The Lumberton Public 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. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Lumberton Public School District, P. O. Box 551, Lumberton, MS 39455.

LUMBERTON PUBLIC SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007**

Exhibit A

ASSETS

Cash and Cash Equivalents	\$	3,210,676
Investments		1,880,000
Due from other governments		1,512,740
Accrued interest receivable		50,386
Inventories		14,415
Restricted Assets		783,450
Capital Assets, not being depreciated		
Land		53,382
Capital Assets, net of accumulated depreciation		
Buildings		3,173,766
Building improvements		941,189
Mobile equipment		154,199
Furniture and equipment		113,800
Leased property under capital leases		236,049

Total Assets	\$	<u>12,124,052</u>
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LIABILITIES

Accounts payable and accrued liabilities	\$	336,486
Due to other governments		122,376
Interest Payable on Long Term Debt		32,258
Long Term Liabilities (due with one year)		
Capital Related liabilities		134,400
Non-capital liabilities		1,200
Long Term Liabilities (due beyond one year)		
Capital Related liabilities		2,025,000
Non-capital liabilities		22,789

Total Liabilities		<u>2,674,509</u>
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NET ASSETS

Invested in capital assets, net of related debt	2,512,985
Restricted Net Assets	
Expendable:	
School Based Activities	2,028,634
Debt Service	163,505
Forestry Improvements	105,262
Unemployment Benefits	16,923
Non-Expendable:	
Sixteenth Section	716,037
Unrestricted	<u>3,906,197</u>

Total Net Assets	<u>9,449,543</u>
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Total Liabilities and Net Assets	\$	<u>12,124,052</u>
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The notes to the financial statements are an integral part of this statement.

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Governmental Activities:					
Instruction	\$ 4,106,375	\$ 79,794	\$ 1,053,566	\$ -	(2,973,015)
Support Services	2,140,446	-	306,605	-	(1,833,841)
Noninstructional services	553,022	78,026	444,924	-	(30,072)
Interest and other expenses on long-term liabilities	100,907	-	-	-	(100,907)
Total Governmental Activities	6,900,750	157,820	1,805,095	-	(4,937,835)
General Revenues:					
Taxes:					
Property taxes - general purposes					1,197,016
Property taxes - debt service					67,420
Unrestricted grants and contributions					
State					4,099,718
Federal					19,454
Unrestricted investment earnings					191,962
Sixteenth Section sources					330,888
Other					1,775,029
Total General Revenues					7,681,487
Extraordinary Items					
Total General Revenues and Extraordinary Items					(37,458)
Total General Revenues and Extraordinary Items					
Change in Net Assets					2,706,194
Net Assets - Beginning					6,743,349
Net Assets - Ending					\$ 9,449,543

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
BALANCE SHEET – GOVERNEMENTAL FUNDS
JUNE 30, 2007**

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Lumberton Building Fund		
ASSETS					
Cash and cash equivalents	\$ 528,235	\$ 531,502	\$ 1,346,842	\$ 1,420,224	\$ 3,826,803
Investments	-	880,000	1,000,000	167,323	2,047,323
Due from other governments	1,342,432	2,175	-	106,650	1,451,257
Accrued interest receivable	-	22,170	25,193	3,023	50,386
Due from other funds	5,743	-	55,740	-	61,483
Inventories	-	-	-	14,415	14,415
Total assets	<u>1,876,410</u>	<u>1,435,847</u>	<u>2,427,775</u>	<u>1,711,635</u>	<u>7,451,667</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	270,949	-	-	65,537	336,486
Due to other funds	103,050	-	-	19,326	122,376
Total liabilities	<u>373,999</u>	<u>-</u>	<u>-</u>	<u>84,863</u>	<u>458,862</u>
Fund balances:					
Reserved for:					
Inventory	-	-	-	14,415	14,415
Unemployment benefits	-	-	-	16,923	16,923
Forestry improvements	-	-	-	105,262	105,262
Debt service purposes	-	-	-	195,763	195,763
Permanent fund purposes	-	-	-	716,037	716,037
Unreserved, undesignated, reported in:					
General fund	1,502,411	-	-	-	1,502,411
Special revenue funds	-	1,435,847	-	555,259	1,991,106
Capital project funds	-	-	2,427,775	-	2,427,775
Permanent funds	-	-	-	23,113	23,113
Total fund balances	<u>1,502,411</u>	<u>1,435,847</u>	<u>2,427,775</u>	<u>1,626,772</u>	<u>6,992,805</u>
Total liabilities & fund balances	<u>\$ 1,876,410</u>	<u>\$ 1,435,847</u>	<u>\$ 2,427,775</u>	<u>\$ 1,711,635</u>	<u>\$ 7,451,667</u>

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2007**

EXHIBIT C-1

		<u>Amounts</u>
Total fund balance - governmental funds	\$	6,992,805
 Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets	6,711,421	
Less Accumulated Depreciation	(2,039,036)	
		<u>4,672,385</u>
 Liabilities not due and payable in the current period are not reported in the funds, as follows:		
Long - term liabilities	(2,183,389)	
Accrued interest on debt	(32,258)	
		<u>(2,215,647)</u>
 Total Net Assets	 \$	 9,449,543

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT D

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Lumberton Building Fund		
REVENUES					
Local sources	\$ 1,349,909	\$ 22,170	\$ 45,126	\$ 172,775	\$ 1,589,980
State sources	3,987,474	-	-	295,945	4,283,419
Federal sources	19,454	-	-	1,621,394	1,640,848
Sixteenth section sources	-	142,333	-	245,437	387,770
Total revenues	5,356,837	164,503	45,126	2,335,551	7,902,017
EXPENDITURES					
Instruction	2,876,946	-	-	1,123,933	4,000,879
Support services	1,876,548	-	-	322,336	2,198,884
Noninstructional services	947	-	-	529,800	530,747
Facilities acquisition and construction	410,177	-	-	-	410,177
Debt Service:					
Principal	22,812	-	-	105,000	127,612
Interest	2,771	-	-	99,490	102,261
Other	-	-	-	1,758	1,756
Total expenditures	5,190,001	-	-	2,182,315	7,372,316
Excess (deficiency) of revenues over expenditures	166,836	164,503	45,126	153,238	529,701
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	1,742,272	-	-	-	1,742,272
Transfers in	426,019	-	1,095,000	129,786	1,650,805
Other financing sources	-	-	-	113	113
Transfers out	(1,224,786)	-	(400,000)	(26,019)	(1,650,805)
Total other financing sources and uses	943,505	-	695,000	103,880	1,742,385
Extraordinary item	(37,458)	-	-	-	(37,458)
Net change in fund balances	1,072,883	164,503	740,126	257,116	2,234,628
Fund balances:					
July 1, 2005	429,528	1,271,344	1,687,649	1,369,478	4,757,999
Increase (decrease) in reserve for inventory	-	-	-	178	178
June 30, 2006	\$ 1,502,411	\$ 1,435,847	\$ 2,427,775	\$ 1,628,772	\$ 6,992,805

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT D-1

	Amounts
Net change in fund balances	\$ 2,234,628
 Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets. (+)	541,277
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities. (-)	(196,841)
 In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets (-)	(290)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	127,612
 Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences Decreases	(3,480)
Accrued interest on debt Decreases	3,110
An increase (+)/ decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	178
Change in net assets of governmental activities	\$ 2,706,194

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 12,229
Due from other funds	<u>122,376</u>
Total Assets	<u><u>\$ 134,605</u></u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$ 73,122
Due to other funds	<u>61,483</u>
Total Liabilities	<u><u>\$ 134,605</u></u>

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

LUMBERTON PUBLIC SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Lumberton, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund – This is a special revenue fund used to account for the school district's earnings from sixteenth section property and investments. These funds may be used for purposes that support the school district.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Lumberton Building Fund – This fund is used to account for surplus funds transferred from the district maintenance fund and will be used for the renovation or construction of school facilities.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 3 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

Capital acquisition and construction are reported 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.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

Reserved for debt service – An account that represents the fund balance for the Debt Service Fund resources which are legally restricted for the payment of general long-term debt principal and interest amounts maturing in future years.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents and Investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 23-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,826,803 and \$12,229, respectively. Included in the district's deposits with financial institutions is certificate of deposits reported as investments in the Sixteenth Section Interest Fund, the Lumberton Building fund and the Sixteenth Section Principal fund of \$880,000, \$1,000,000 and \$120,000, respectively. The carrying amount of deposits reported in the government-wide statements as cash and cash equivalents is \$3,210,676, as investments is \$1,880,000 and restricted assets is \$783,450. The restricted assets represents the cash and investments in the Sixteenth Section Principal funds (permanent funds) which is legally restricted and may not be used for purposes that support the district's programs and also includes investments in the MAEP debt service fund of \$47,323. The bank balance was \$6,202,415.

Custodial Credit Risk-Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$6,202,415 was exposed to custodial risk.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Investments

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Ratings</u>
US Treasury Bills		\$ 47,323	AAA
Certificates of Deposit	1/2/2008	<u>2,000,000</u>	N/A
Total Investments		<u>\$ 2,047,323</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 policy that would further limit its investment choices or one that addresses credit risk.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 5,743	\$ 103,050
Building fund	55,740	-
Other governmental funds	-	19,326
Fiduciary Funds	<u>122,376</u>	<u>61,483</u>
Total	<u>\$ 183,859</u>	<u>\$ 183,859</u>

The balances between funds result mainly from transactions between the governmental funds and the clearing funds. The general fund finances these expenditures until the funds are reimbursed.

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

B. Transfers In/Out.

	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 426,019	\$ 1,224,786
Building Fund	1,095,000	400,000
Other governmental funds	129,786	26,019
Total	\$ 1,650,805	\$ 1,650,805

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
<u>Non-depreciable capital assets:</u>				
Land	\$ 53,382			\$ 53,382
Total non-depreciable capital assets	\$ 53,382	\$ -	\$ -	\$ 53,382
<u>Depreciable capital assets:</u>				
Buildings	\$ 4,374,094			\$ 4,374,094
Improvements other than buildings	690,988	438,057		1,129,045
Mobile equipment	455,307	55,750		511,057
Furniture and equipment	320,094	47,470	28,982	338,582
Leased property under capital leases	305,261			305,261
Total depreciable capital assets	\$ 6,145,744	\$ 541,277	\$ 28,982	\$ 6,658,039
<u>Less accumulated depreciation:</u>				
Buildings	\$ 1,120,705	\$ 79,623		\$ 1,200,328
Improvements other than buildings	144,684	43,172		187,856
Mobile equipment	322,190	34,668		356,858
Furniture and equipment	221,786	31,688	28,692	224,782
Leased property under capital leases	61,522	7,690		69,212
Total accumulated depreciation	\$ 1,870,887	\$ 196,841	\$ 28,692	\$ 2,039,036
Total depreciable capital assets, net	\$ 4,274,857	\$ 344,436	\$ 290	\$ 4,619,003
Governmental activities capital assets, net	\$ 4,328,239	\$ 344,436	\$ 290	\$ 4,672,385

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 132,685
Support services	41,877
Non-instructional	<u>22,279</u>
Total depreciation expense	<u>\$ 196,841</u>

(5) Long-term liabilities.

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

<u>Description</u>	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/07</u>	<u>Amounts due within one year</u>
A Limited obligation bonds payable	\$ 1,325,000	\$ -	\$ 75,000	\$ 1,250,000	\$ 80,000
B Three mill notes payable	\$ 915,000	\$ -	\$ 30,000	\$ 885,000	\$ 30,000
C Obligations under capital lease	\$ 47,012	\$ -	\$ 22,612	\$ 24,400	\$ 24,400
D Compensated absences payable	\$ 20,509	\$ 3,480	\$ -	\$ 23,989	\$ 1,200
TOTAL	<u>\$ 2,307,521</u>	<u>\$ 3,480</u>	<u>\$ 127,612</u>	<u>\$ 2,183,389</u>	<u>\$ 135,600</u>

A. Limited obligation bonds payable.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Fund (4043).

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds, series 1998	Varies	6/1/1998	2/1/2018	\$ 1,730,000	\$ 1,250,000
Total				<u>\$ 1,730,000</u>	<u>\$ 1,250,000</u>

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	80,000	58,505	138,505
2009	85,000	54,750	139,750
2010	85,000	50,840	135,840
2011	90,000	46,815	136,815
2012	95,000	42,513	137,513
2013-2018	<u>815,000</u>	<u>147,601</u>	<u>962,601</u>
Total	<u>\$ 1,250,000</u>	<u>\$ 401,024</u>	<u>\$ 1,651,024</u>

B. Three mill notes payable.

Debts 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>
Limited tax notes series 2003	Varies	5/1/2003	5/1/2023	\$ 1,000,000	\$ 885,000
Total				<u>\$ 1,000,000</u>	<u>\$ 885,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	30,000	36,043	66,043
2009	35,000	34,933	69,933
2010	40,000	33,638	73,638
2011	45,000	32,138	77,138
2012	45,000	30,428	75,428
2013-2017	270,000	122,908	392,908
2018-2022	340,000	61,838	401,838
2023	<u>80,000</u>	<u>3,440</u>	<u>83,440</u>
Total	<u>\$ 885,000</u>	<u>\$ 355,363</u>	<u>\$ 1,240,363</u>

This debt will be retired from the Three Mill Notes Retirement Fund (4021).

C. Obligations under capital leases.

The school district has entered into two lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
HVAC Capital lease	5.69%	7/1/1999	6/30/2008	\$ 175,000	\$ 24,400
Lighting capital lease	6.50%	1/1/1999	12/30/2006	<u>\$ 79,261</u>	<u>\$ -</u>
Total					<u>\$ 24,400</u>

The various options available to the lessee for these leases are as follows:

1. Under the HVAC equipment lease, lessee has the option to purchase not less than all of the property subject to the agreement, "as is" at the payment date, for the option to purchase values set forth in Exhibit B of the agreement.

2. Under the lighting equipment lease, at the request of the lessee, lessor's security interest in the equipment will be terminated and the agreement shall terminate:
 - a. At the end of the lease term (including renewal terms), upon payment in full rental payments and other amounts payable by lessee hereunder;
 - b. At the end of the original term or any renewal term upon payment by lessee of the then applicable purchase price; or
 - c. If the lease term is terminated pursuant to Article IX of the agreement.

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	<u>24,400</u>	<u>1,367</u>	<u>25,767</u>
Total	<u>\$ 24,400</u>	<u>\$ 1,367</u>	<u>\$ 25,767</u>

The debt will be retired from the District Maintenance Fund (1120).

D. Compensated absences payable

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

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi

Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$386,542, \$343,008, and \$310,221, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2008	10,590
2009	10,590
2010	5,754
2011	5,754
2012	3,730
2013-2017	15,160
2018-2022	6,000
2023-2027	6,000
Thereafter	7,550
Total	<u>\$ 71,128</u>

**LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance, which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

(9) Extraordinary Item

The District incurred a theft loss of \$55,740 from its payroll clearing fund as a result of a security breach with online banking transactions. The District was able to recover \$18,251.52 with the help of the financial institution. The security breach resulted in a \$37,458.48 net loss for the District. The District and the financial institution have made necessary changes to help prevent future security breaches.

LUMBERTON PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Lumberton Public School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 1,323,243	\$ 1,333,719	\$ 1,349,909	\$ 10,476	\$ 16,190
State sources	3,905,638	3,987,474	3,987,474	81,836	-
Federal sources	13,300	19,454	19,454	6,154	-
Total revenues	5,242,181	5,340,647	5,356,837	98,466	16,190
EXPENDITURES					
Instruction	3,019,380	2,656,447	2,876,946	362,933	(220,499)
Support services	2,048,656	1,853,531	1,876,548	195,125	(23,017)
Noninstructional services	3,000	-	947	3,000	(947)
Facilities acquisition and construction	432,480	833,237	410,177	(400,757)	423,060
Debt service:					
Principal	22,612	22,612	22,612	-	-
Interest	2,771	2,771	2,771	-	-
Total expenditures	5,528,899	5,368,598	5,190,001	160,301	178,597
Excess (deficiency) of revenues over expenditures	(286,718)	(27,951)	166,836	258,767	194,787
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	400,000	1,742,272	1,742,272	1,342,272	-
Transfers in	700,157	1,020,217	426,019	320,060	(594,198)
Transfers out	(811,539)	(2,158,437)	(1,224,786)	(1,346,898)	933,651
Total other financing sources and uses	288,618	604,052	943,505	315,434	339,453
Extraordinary items	-	-	(37,458)	-	(37,458)
Net change in fund balances	1,900	576,101	1,072,883	574,201	496,782
Fund balances:					
July 1, 2006			429,528		
June 30, 2007			\$ 1,502,411		

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

Lumberton Public School District
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ -	\$ -	\$ 22,170	\$ -	\$ 22,170
Sixteenth section sources	53,400	164,503	142,333	111,103	(22,170)
Total revenues	53,400	164,503	164,503	111,103	-
EXPENDITURES					
Sixteenth section	19,500	-	-	19,500	-
Total expenditures	19,500	-	-	19,500	-
Excess (deficiency) of revenues over expenditures	33,900	164,503	164,503	130,603	-
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	33,900	164,503	164,503	130,603	-
Fund balances:					
July 1, 2006			1,271,344		
June 30, 2007			\$ 1,435,847		

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

LUMBERTON PUBLIC SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 revision

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

LUMBERTON PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

LUMBERTON PUBLIC SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 20,074
Child nutrition cluster		
School breakfast program	10.553	105,376
National school lunch program	10.555	214,747
Total child nutrition cluster		<u>320,123</u>
Schools and roads - grants to states	10.665	19,454
Total U.S. Department of Agriculture		<u>359,651</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	406,437
Safe and drug-free schools and communities - state grants	84.186	6,200
State grants for innovative programs	84.298	2,827
Rural education	84.358	11,717
Improving teacher quality - state grants	84.367	78,462
Total		<u>505,643</u>
Special education cluster:		
Special education - grants to states	84.027	246,019
Special education - preschool grants	84.173	6,832
Total		<u>252,851</u>
Hurricane Education Recovery	84.938	443,682
Total passed-through Mississippi Department of Education		<u>1,202,176</u>
Total U.S. Department of Education		<u>1,202,176</u>
Total for All Federal Awards		<u>\$ 1,561,827</u>

NOTES TO SCHEDULE

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

Lumberton Public School 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 Administration	School Administration	Other
Salaries and fringe benefits	\$ 4,955,967	\$ 3,694,683	\$ 352,805	\$ 341,045	\$ 567,434
Other	<u>2,416,349</u>	<u>763,242</u>	<u>113,114</u>	<u>19,026</u>	<u>1,520,967</u>
Total	<u>\$ 7,372,316</u>	<u>\$ 4,457,925</u>	<u>\$ 465,919</u>	<u>\$ 360,071</u>	<u>\$ 2,088,401</u>
Total number of students *		786			
Cost per student	<u>\$ 9,380</u>	<u>\$ 5,672</u>	<u>\$ 593</u>	<u>\$ 458</u>	<u>\$ 2,657</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, & 2200 functional codes)

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

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

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

include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

LUMBERTON PUBLIC SCHOOL DISTRICT

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

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Mississippi Society of
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Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Superintendent and School Board
Lumberton Public School District

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

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the district's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the district's financial statements that is more than inconsequential will not be prevented or detected by the district's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2007-1 to be a significant deficiency in internal control over financial reporting.

Internal Control Report
Page 2

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

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. However, we consider the significant deficiency described above in finding 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we perform tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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.



King CPA, PLLC
Petal, Mississippi
June 30, 2008

LUMBERTON PUBLIC SCHOOL DISTRICT

**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**

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Certified Public Accountants

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
Lumberton Public School District

Compliance

We have audited the compliance of the Lumberton Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Lumberton Public 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

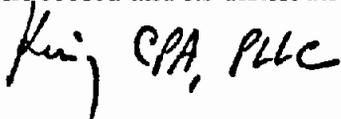
The management of the Lumberton Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school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

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

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 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, 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.



King CPA, PLLC
Petal, Mississippi
June 30, 2008

LUMBERTON PUBLIC SCHOOL DISTRICT

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

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Certified Public Accountants

Independent Auditors' Report on Compliance with State Laws and Regulations

Superintendent and School Board
Lumberton Public School District

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

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$6,237 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 function 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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

State Laws and Regulations
Page 2

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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


King CPA, PLLC
Petal, Mississippi
June 30, 2008

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|-------------|
| 1. Type of auditor's report issued on the basic financial statements: | UNQUALIFIED |
| 2. Material noncompliance relating to the basic financial statements? | NO |
| 3. Internal control over financial reporting: | |
| a. Material weakness (es) identified? | YES |
| b. Significant Deficiency (ies) identified that are not considered to be material weakness? | NO |

Federal Awards:

- | | |
|---|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | UNQUALIFIED |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | NO |
| b. Significant Deficiency (ies) identified that are not considered to be material weaknesses? | NO |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | NO |
| 7. Federal programs identified as major programs: | |
| Child Nutrition Cluster | |
| CFDA # <u>10.553</u> | |
| CFDA # <u>10.555</u> | |
| Title I – Grants to local education agencies | |
| CFDA # <u>84.010</u> | |
| Improving teacher quality – state grants | |
| CFDA# <u>84.367</u> | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | YES |

**LUMBERTON PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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 audits findings as discussed in Section __.315(b) of OMB Circular A-133?

NO

Section 2: Financial Statement Findings

Finding 2007-1: Internal Control Deficiency

Financial Statement Presentation

The School District's financial statements are the responsibility of management. During the course of our audit we identified material misstatements in the financial statements. Since audit adjustments were required because of material misstatements identified in the financial statements, this deficiency constitutes a material weakness in the districts internal control over financial reporting.

Section 3: Federal Award Findings and Questioned Cost

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

LUMBERTON PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Correction Action Plan Details</u>
2007-1	<p>The business manager will implement procedures to review all transactions originating with its accounting software provider.</p> <p>Jana Grenn, business manager will monitor to insure procedures are being followed. Telephone 601-796-8674.</p>

LUMBERTON PUBLIC SCHOOL DISTRICT

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Lumberton Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2006-1	This finding has been corrected.