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**NOXUBEE COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2007**

NOXUBEE COUNTY SCHOOL DISTRICT  
June 30, 2007

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**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Noxubee County School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2008, on our consideration of Noxubee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 39 and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Noxubee County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Banks, Finley, White & Co.*

July 21, 2008

NOXUBEE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

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

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

**Financial Highlights**

- Total net assets increased \$118,285, which represents a 1% increase from fiscal year 2007.
- General revenues account for \$13,921,352 in revenue, or 73% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,127,763 or 27% of total revenues.
- The District had \$18,901,550 in expenses; only \$5,127,763 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,921,352 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,042,699 in revenues and \$12,599,819 in expenditures. The General Fund's fund balance decreased \$236,697 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$441,480. The decrease was due primarily to depreciation taken during the year.
- Long-term debt decreased by \$603,037 from the prior year. This decrease was due to the annual principal payment on the debt.

**Overview of Financial Statements**

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

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

**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 on long-term liabilities.

The government-wide financial statements can be found in Exhibit A of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are in Exhibit C-1 and D-1, respectively, of this report.

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

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

The basic governmental fund financial statements can be found in Exhibit C and D of this report.

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

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 34 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary Comparison Statement has been provided for the General Fund. This required supplementary information can be found on pages 36 - 39 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 40 - 42 this report.

**Government-wide Financial Analysis**

**Net assets** - Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$12,883,959 as of June 30, 2007.

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.

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and a comparison of the same information as presented at June 30, 2006.

	<u>NET ASSETS</u>		<u>PERCENTAGE CHANGE</u>
	<u>JUNE 30, 2007</u>	<u>JUNE 30, 2006</u>	
Current assets	\$ 4,513,200	\$ 5,242,938	(13.92)%
Capital assets, net	<u>17,255,318</u>	<u>17,696,798</u>	(2.49)%
Total assets	<u>\$ 21,768,518</u>	<u>\$ 22,939,736</u>	(5.11)%
Current liabilities	\$ 1,171,719	\$ 1,858,185	(36.94)%
Long-term debt outstanding	<u>7,712,840</u>	<u>8,315,877</u>	(7.25)%
Total liabilities	<u>\$ 8,884,559</u>	<u>\$ 10,174,062</u>	(12.67)%
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 9,655,199	\$ 9,483,465	1.81 %
Restricted	3,359,444	3,071,015	9.39 %
Unrestricted	<u>(130,684)</u>	<u>211,194</u>	(161.88)%
Total net assets	<u>\$ 12,883,959</u>	<u>\$ 12,765,674</u>	0.93 %

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

Decrease in total current assets in the amount of	\$152,425
Decrease in net capital assets in the amount of	\$874,349
Decrease in current liabilities in the amount of	\$2,909,655
Decrease in long-term liabilities in the amount of	-

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2007 were \$19,049,115. The total cost of all programs and services was \$18,901,550. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2007 and 2006, respectively.

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

	CHANGES IN NET ASSETS		PERCENTAGE CHANGE
	JUNE 30, 2007	JUNE 30, 2006	
Revenues			
Program revenues:			
Charges for services	\$ 243,800	\$ 182,335	33.71 %
Operating grants and contributions	\$ 4,883,963	5,166,575	(5.47)%
General revenues;			
Property taxes	2,989,208	2,831,870	5.56 %
Grants and contributions not restricted	9,885,186	9,535,828	3.66 %
Other	1,046,958	641,871	63.11 %
Total revenues	<u>19,049,115</u>	<u>18,358,479</u>	3.76 %
Expenses			
Instruction	10,063,099	10,204,523	(1.39)%
Support services	7,228,790	7,125,822	1.44 %
Non-instructional	1,138,519	1,216,424	(6.40)%
Sixteenth section	91,074	116,976	(22.14)%
Interest on long-term liabilities	380,068	413,144	(8.01)%
Total expenses	<u>18,901,550</u>	<u>19,076,889</u>	(0.92)%
Increase in net assets	147,565	(718,410)	(120.54)%
Net Assets, July 1	12,765,674	13,484,084	(5.33)%
Prior period adjustment	(29,280)	-	(100.00)%
Net Assets, June 30	<u>\$ 12,883,959</u>	<u>\$ 12,765,674</u>	0.93 %

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

	2007		2007	
	TOTAL EXPENSES	NET (EXPENSE) REVENUE	TOTAL EXPENSES	NET (EXPENSE) REVENUE
Instruction	\$ 10,063,099	\$ (7,871,400)	\$ 10,204,523	\$ (7,734,974)
Support services	7,228,790	(5,566,734)	7,125,822	(5,356,972)
Non-instructional	1,138,519	135,489	1,216,424	(105,913)
Sixteenth section	91,074	(91,074)	116,976	(116,976)
Interest on long-term liabilities	380,068	(380,068)	413,144	(413,144)
Total Expenses	<u>\$ 18,901,550</u>	<u>\$ (13,773,787)</u>	<u>\$ 19,076,889</u>	<u>\$ (13,727,979)</u>

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

Net cost of governmental activities (\$13,773,787), was financed by general revenue, which is made up of primarily property taxes ( \$2,989,208 ), and state revenue of \$9,770,322 .

Investment earnings accounted for \$20,833 of funding.

Sixteenth section sources accounted for \$798,704 of funding.

**Financial Analysis of the District's Funds**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,464,636, a decrease of \$58,361.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$236,697. The other major funds and their increase (decrease) in fund balances were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteen Section Interest Fund	\$ 126,928
Sixteen Section Principal Fund	5,056
Bond Retirement Fund	3,721

**Budgetary Highlights**

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

- ◆ Budgeted amounts for revenues from local sources were decreased due to decrease receipts from special activities.
- ◆
- ◆ Budgeted state revenues decreased because of cuts from the state that were not anticipated.
- ◆ Budgeted revenues for federal increase because of E-Rate receipts.

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.

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2007**

**Capital Assets and Debt Administration**

**Capital Assets** - As of June 30, 2007, the District's total capital assets were \$24,219,711, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$119,182 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$6,964,393, and total depreciation expense for the year was \$590,760, resulting in total net assets of \$17,255,318.

	<u>CAPITAL ASSETS, NET DEPRECIATION</u>		<u>PERCENTAGE</u>
	<u>2007</u>	<u>2006</u>	<u>CHANGE</u>
Land	\$ 49,211	49,211	- %
Construction in progress	-	59,865	(100.00)%
Building	14,366,683	14,688,795	(2.19)%
Building improvements	1,851,760	1,962,707	(5.65)%
Improvements other than buildings	160,329	168,162	(4.66)%
Mobile equipment	751,752	717,557	4.77 %
Furniture and equipment	<u>75,583</u>	<u>50,501</u>	49.67 %
Total	<u>\$ 17,255,318</u>	<u>\$ 17,696,798</u>	(2.49)%

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

**Debt Administration** - At June 30, 2007, the District had \$7,712,840 in general obligation bonds and other long-term debt outstanding, of which \$522,285 is due within one year.

	<u>OUTSTANDING DEBT</u>		<u>PERCENTAGE</u>
	<u>2007</u>	<u>2006</u>	<u>CHANGE</u>
General obligation bonds payable	\$ 2,950,000	\$ 3,110,000	(5.14)%
Limited obligation bonds payable	3,225,000	3,420,000	(5.70)%
Obligations under energy efficiency leases	-	158,644	(100.00)%
Three mill note payable	1,166,000	1,219,000	(4.35)%
Obligations under capital leases	259,119	305,689	(15.23)%
Compensated absences payable	<u>112,721</u>	<u>102,544</u>	9.92 %
Total	<u>\$ 7,712,840</u>	<u>\$ 8,315,877</u>	(7.25)%

The District maintains a AA insured rating with Standard and Poor's.

Additional information of the District's long-term debt can be found in Note 6 of this report.

**Current Issues**

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

The District has committed itself to financial excellence for many years. The millage has remained the lowest of all Districts. 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.

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

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,909,655
Due from other governments	503,875
Other receivables, net	545,628
Inventories	18,014
Restricted assets	536,028
Capital assets, not being depreciated:	
Land	49,211
Capital assets, net of accumulated depreciation:	
Buildings	14,366,683
Building improvements	1,851,760
Improvements other than buildings	160,329
Mobile equipment	751,752
Furniture and equipment	75,583
<b>Total Assets</b>	<b>\$ 21,768,518</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 280,257
Due to other governments	482,813
Deferred revenue	285,499
Interest payable on long-term liabilities	123,150
Long-term liabilities, due within one year	
Capital related liabilities	478,426
Noncapital related liabilities	43,859
Long-term liabilities, due beyond one year	
Capital related liabilities	7,121,693
Noncapital related liabilities	68,862
<b>Total Liabilities</b>	<b>8,884,559</b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	9,655,199
Restricted net assets:	
Expendable:	
School-based activities	1,561,947
Debt service	214,155
Capital improvements	457,900
Forestry improvements	241,589
Unemployment benefits	45,289
Nonexpendable:	
Sixteenth section	838,564
Unrestricted	(130,684)
<b>Total Net Assets</b>	<b>12,883,959</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,768,518</b>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$10,063,099	70,329	2,121,370	-	\$ (7,871,400)
Support services	7,228,790	78,484	1,583,572	-	(5,566,734)
Non-instructional	1,138,519	94,987	1,179,021	-	135,489
Sixteen section	91,074	-	-	-	(91,074)
Interest on long-term liabilities	380,068	-	-	-	(380,068)
<b>Total Governmental Activities</b>	<b><u>\$18,901,550</u></b>	<b><u>243,800</u></b>	<b><u>4,883,963</u></b>	<b><u>-</u></b>	<b><u>(13,773,787)</u></b>
General Revenues:					
Taxes:					
					\$ 2,564,007
					425,201
Unrestricted grants and contributions:					
					9,770,322
					114,864
					20,833
					798,704
					227,421
					<u>13,921,352</u>
Total General Revenues, Special Items Extraordinary Items and Transfers					
					<u>13,921,352</u>
Change in net Assets					
					<u>147,565</u>
Net Assets - Beginning					
					12,765,674
Prior period adjustments					
					<u>(29,280)</u>
Net Assets - Beginning - Restated					
					<u>12,736,394</u>
Net Assets - Ending					
					<u>\$ 12,883,959</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Balance Sheet  
Governmental Funds  
June 30, 2007

ASSETS	Major Funds	
	General Fund	Sixteen Section Interest Fund
Cash and cash equivalents	\$ 782,827	1,285,338
Cash with fiscal agent	-	-
Investments	-	-
Due from other governments	160,053	5,000
Sixteenth section loan receivable	-	-
Other receivable, net	18,917	-
Due from other funds	480,709	9,447
Advances to other funds	-	-
Inventories	-	-
<b>Total Assets</b>	<b><u>\$ 1,442,506</u></b>	<b><u>1,299,785</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 247,647	5,267
Due to other funds	635,004	100,000
Advances from other funds	482,813	-
Deferred revenue	-	-
<b>Total Liabilities</b>	<b><u>1,365,464</u></b>	<b><u>105,267</u></b>
<b>Fund Balances:</b>		
<b>Reserved for:</b>		
Unemployment benefits	-	-
Forestry improvements purposes	-	-
Permanent Fund purposes	-	-
Capital improvements	-	-
Debt Service	-	-
Inventory	-	-
Advances	-	-
<b>Unreserved - Undesignated, reported in:</b>		
General Fund	77,042	-
Special Revenue Funds	-	1,194,518
<b>Total Fund Balances</b>	<b><u>77,042</u></b>	<b><u>1,194,518</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,442,506</u></b>	<b><u>1,299,785</u></b>

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

EXHIBIT C

Sixteen Section Principal Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
383,603	161,576	679,914	\$ 3,293,258
-	-	152,425	152,425
-	8,145	330,677	503,875
-	-	-	18,917
15	-	699,568	1,189,739
482,813	-	-	482,813
-	-	18,014	18,014
<u>866,431</u>	<u>169,721</u>	<u>1,880,598</u>	<u>\$ 5,659,041</u>
-	-	27,275	\$ 280,189
27,867	166,000	217,033	1,145,904
-	-	-	482,813
-	-	285,499	285,499
<u>27,867</u>	<u>166,000</u>	<u>529,807</u>	<u>2,194,405</u>
-	-	58,685	58,685
-	-	209,057	209,057
355,751	-	-	355,751
-	-	480,524	480,524
-	3,721	315,657	319,378
-	-	18,014	18,014
482,813	-	-	482,813
-	-	-	77,042
-	-	268,854	1,463,372
<u>838,564</u>	<u>3,721</u>	<u>1,350,791</u>	<u>3,464,636</u>
<u>866,431</u>	<u>169,721</u>	<u>1,880,598</u>	<u>\$ 5,659,041</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
 Reconciliation of Governmental Funds Balance Sheet to the  
 Statement of Net Assets  
 June 30, 2007

	Amount
Total Fund Balance - Governmental Funds	\$ 3,464,636
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,964,393	17,255,318
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,712,840)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(123,150)
4. Rounding	(5)
Total Net Assets - Governmental Activities	\$ 12,883,959

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds	
	General Fund	Sixteen Section Interest Fund
Revenues:		
Local sources	\$ 2,735,818	-
Intermediate sources	-	-
State sources	9,191,537	-
Federal sources	115,344	-
Sixteenth section sources	-	757,408
Total Revenues	12,042,699	757,408
Expenditures:		
Instruction	7,023,281	-
Support services	5,409,123	-
Noninstructional services	-	-
Sixteen section	-	37,610
Facilities acquisition and contribution	-	-
Debt service:		
Principal	146,607	-
Interest	20,808	-
Other	-	-
Total Expenditures	12,599,819	37,610
Excess (Deficiency) of Revenues Over Expenditures	(557,120)	719,798
Other Financing Sources (Uses):		
Insurance loss recoveries	56,290	-
Operating transfers in	705,179	-
Operating transfers out	(477,964)	(592,870)
Other uses	(293)	-
Total Other Financing Sources (Uses)	283,212	(592,870)
Net Change in Fund Balances	(273,908)	126,928
Fund Balances:		
July 1, 2006	313,739	1,067,590
Prior period adjustments	37,211	-
July 1, 2006, as restated	350,950	1,067,590
(Decrease) in reserve for inventory	-	-
June 30, 2007	\$ 77,042	1,194,518

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

EXHIBIT D

Sixteen Section Principal Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
-	322,788	287,884	\$ 3,346,490
-	-	2,500	2,500
-	166	1,079,373	10,271,076
-	-	4,380,230	4,495,574
<u>32,949</u>	<u>-</u>	<u>86,831</u>	<u>877,188</u>
<u>32,949</u>	<u>322,954</u>	<u>5,836,818</u>	<u>18,992,828</u>
-	-	2,601,371	9,624,652
-	-	1,837,557	7,246,680
-	-	1,168,465	1,168,465
26	-	53,438	91,074
-	-	-	-
-	160,000	306,606	613,213
-	150,906	221,748	393,462
-	1,701	-	1,701
<u>26</u>	<u>312,607</u>	<u>6,189,185</u>	<u>19,139,247</u>
<u>32,923</u>	<u>10,347</u>	<u>(352,367)</u>	<u>(146,419)</u>
-	-	-	56,290
-	-	472,964	1,178,143
(27,867)	-	(79,442)	(1,178,143)
-	-	(3,448)	(3,741)
<u>(27,867)</u>	<u>-</u>	<u>390,074</u>	<u>52,549</u>
<u>5,056</u>	<u>10,347</u>	<u>37,707</u>	<u>(93,870)</u>
833,508	-	1,308,160	3,522,997
-	(6,626)	-	30,585
<u>833,508</u>	<u>(6,626)</u>	<u>1,308,160</u>	<u>3,553,582</u>
-	-	4,924	4,924
<u>838,564</u>	<u>3,721</u>	<u>1,350,791</u>	<u>\$ 3,464,636</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2007

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (93,870)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$210,222 and the depreciation expense amounted to \$590,760.	(380,538)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	613,214
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	15,096
4. Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(1,077)
4. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but Noninstructional expenditures are increased in the Statement of Activities.	4,924
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the government funds: Compensated absences	(10,177)
6. Rounding	(7)
Change in Net Assets of Governmental Activities	\$ 147,565

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 874,349
Due from other funds	<u>63</u>
Total Assets	<u>\$ 874,412</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 820,089
Due to other funds	43,898
Due to student clubs	<u>10,425</u>
Total Liabilities	<u>\$ 874,412</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five (5) member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus on 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 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 fund is used to account for revenues and expenditures associated with sixteenth section land.

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.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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

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

I. Capital Assets

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

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

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

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

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

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

J. Long-term liabilities

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

K. Interfund Transactions and Balances

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

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

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

Interfund receivables and payable 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 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 unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

Reserved for debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

Reserved for permanent fund purposes - 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.

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

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

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.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

Cash and Cash Equivalents

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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 \$3,293,258 and \$874,349, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$2,909,655 and Restricted Assets \$536,028. The restricted assets represent the cash balance of 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 cash with Fiscal Agent which is restricted for debt service. The bank balance was \$5,896,766.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, 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 the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$4,811,412 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$152,425.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 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	\$ 480,709	\$ 635,004
Sixteenth Section Interest Fund	9,447	100,000
Sixteenth Section Principal Fund	15	27,867
Bond Retirement Fund	-	166,000
Other governmental funds	699,568	217,033
Fiduciary Funds	<u>63</u>	<u>43,898</u>
Total	<u>\$ 1,189,802</u>	<u>\$ 1,189,802</u>

Due from other funds represents amounts receivable from other funds and due to other funds represents amounts payable to other funds.

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds		
Major funds		
Sixteenth Section Principal Fund	\$ 482,813	\$ -
Major funds		
General fund	-	482,813
Total	<u>\$ 482,813</u>	<u>\$ 482,813</u>

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

Sixteenth Section Principal Loan Payable

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	\$ 58,606	18,570	\$ 77,176
2009	60,961	16,225	77,186
2010	63,389	13,787	77,176
2011	65,924	11,252	77,176
2012	68,561	8,615	77,176
2013 - 2016	<u>165,372</u>	<u>8,893</u>	<u>174,265</u>
Total	<u>\$ 482,813</u>	<u>77,342</u>	<u>\$ 560,155</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

C. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 705,179	\$ 477,964
Sixteenth Section Interest Fund	-	592,870
Sixteenth Section Principal Fund	-	27,867
Other Governmental Funds	<u>472,964</u>	<u>79,442</u>
Total	<u>\$ 1,178,143</u>	<u>\$ 1,178,143</u>

Transfers-in represent the receipts of monies from other funds and transfers-out represent monies disbursed to other funds.

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance July 1, 2006</u>	<u>Addition</u>	<u>Reductions</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance June 30, 2007</u>
<u>Non-depreciable Capital assets:</u>						
Land	\$ 49,211	-	-	-	-	\$ 49,211
Construction in progress	<u>59,865</u>	-	-	-	<u>(59,865)</u>	-
Total non-depreciable capital assets	<u>109,076</u>	-	-	-	<u>(59,865)</u>	<u>49,211</u>
<u>Depreciable capital assets:</u>						
Buildings	17,720,843	-	-	-	-	17,720,843
Building improvements	3,149,676	-	-	-	-	3,149,676
Improvements other than buildings	195,828	-	-	-	-	195,828
Mobile equipment	2,591,924	165,837	<u>(8,500)</u>	-	-	2,749,261
Furniture and equipment	<u>333,182</u>	<u>44,385</u>	<u>(22,675)</u>	-	-	<u>354,892</u>
Total depreciable capital assets	<u>23,991,453</u>	<u>210,222</u>	<u>(31,175)</u>	-	-	<u>24,170,500</u>
<u>Less accumulated depreciation for:</u>						
Buildings	3,032,048	322,112	-	-	-	3,354,160
Building improvements	1,186,969	110,947	-	-	-	1,297,916
Improvements other than buildings	27,666	7,833	-	-	-	35,499
Mobile equipment	1,874,367	130,792	<u>(7,650)</u>	-	-	1,997,509
Furniture and equipment	<u>282,681</u>	<u>19,076</u>	<u>(22,448)</u>	-	-	<u>279,309</u>
Total accumulated depreciation	<u>6,403,731</u>	<u>590,760</u>	<u>(30,098)</u>	-	-	<u>6,964,393</u>
Total depreciable capital assets, net	<u>17,587,722</u>	<u>(380,538)</u>	<u>(1,077)</u>	-	-	<u>17,206,107</u>
Governmental activities capital assets, net	<u>\$ 17,696,798</u>	<u>(380,538)</u>	<u>(1,077)</u>	-	<u>(59,865)</u>	<u>\$ 17,255,318</u>

NOXUBEE COUNTY 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	\$ 429,716
Support services	146,500
Non-instructional	14,544
Total depreciation expense	\$ 590,760

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance Jul. 1, 2006	Additions	Reduction	Balance June 30, 2007	Amount Due Within One Year
A. General obligation bond payable	\$ 3,110,000	-	160,000	\$2,950,000	\$ 170,000
B. Limited obligation bond payable	3,420,000	-	195,000	3,225,000	205,000
C. Obligation under energy efficiency leases	158,644	-	158,644	-	-
D. Three mill note payable	1,219,000	-	53,000	1,166,000	55,000
E. Obligation under capital lease	305,689	-	46,570	259,119	48,426
F. Compensated absences payable	102,544	10,177	-	112,721	43,859
Total	\$ 8,315,877	10,177	613,214	\$ 7,712,840	\$ 522,285

A. General obligation bond payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1999	Varies	09-15-1999	09-15-2019	\$ 3,900,000	\$ 2,950,000
				\$ 3,900,000	\$ 2,950,000

NOXUBEE COUNTY 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 June 30	Principal	Interest	Total
2008	\$ 170,000	142,175	\$ 312,175
2009	180,000	134,081	314,081
2010	185,000	125,571	310,571
2011	195,000	116,593	311,593
2012	205,000	107,041	312,041
2013 - 2017	1,200,000	368,114	1,568,114
2018 - 2022	<u>815,000</u>	<u>62,133</u>	<u>877,133</u>
Total	<u>\$ 2,950,000</u>	<u>1,055,708</u>	<u>\$ 4,005,708</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 5% of property assessments as of October 1, 2006. This debt will be retired from Noxubee County School District Debt Service Fund.

B. Limited obligation bond payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	Varies	06-01-1998	02-01-2018	\$ <u>4,405,000</u>	\$ <u>3,225,000</u>
				\$ <u>4,405,000</u>	\$ <u>3,225,000</u>

NOXUBEE COUNTY 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 June 30	Principal	Interest	Total
2008	\$ 205,000	141,281	\$ 346,281
2009	215,000	131,063	346,063
2010	225,000	121,163	346,163
2011	235,000	110,813	345,813
2012	245,000	100,013	345,013
2013 - 2017	1,435,000	317,139	1,752,139
2018 - 2021	<u>665,000</u>	<u>22,600</u>	<u>687,600</u>
Total	<u>\$ 3,225,000</u>	<u>944,072</u>	<u>\$ 4,169,072</u>

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 Noxubee County School District Debt Service Fund.

C. Obligation under energy efficiency leases

This debt was fully retired during the year.

D. Three mill note payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3.75% to 4.25%	10/15/02	10/15/17	\$ <u>1,400,000</u>	\$ <u>1,166,000</u>
				\$ <u>1,400,000</u>	\$ <u>1,166,000</u>

NOXUBEE COUNTY 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 June 30	Principal	Interest	Total
2008	\$ 55,000	47,426	\$ 102,426
2009	57,000	45,186	102,186
2010	94,000	42,112	136,112
2011	98,000	38,183	136,183
2012	103,000	34,062	137,062
2013 - 2017	614,000	98,183	712,183
2018 - 2021	<u>145,000</u>	<u>3,081</u>	<u>148,081</u>
Total	<u>\$ 1,166,000</u>	<u>308,233</u>	<u>\$ 1,474,233</u>

This debt will be retired from Noxubee County School District Debt Service Fund.

E. Obligation Under Capital Lease

The school district entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of school buses, lawn mowers, pickup truck and stadium seating.

The various options available to the lessee are as follows:

1. Prepay the lease obligation in amounts equal to or exceeding \$10,000
2. Purchase all or any part of the equipment under the purchase option included in the Master Lease Agreement

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 48,426	10,068	\$ 58,494
2009	38,793	8,237	47,030
2010	40,398	6,632	47,030
2011	42,070	4,960	47,030
2012	43,810	3,219	47,029
2013 - 2017	<u>45,622</u>	<u>1,407</u>	<u>47,029</u>
Total	<u>\$ 259,119</u>	<u>34,523</u>	<u>\$ 293,642</u>

This debt will be retired from the District Maintenance Fund.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

F. Compensated absences payable.

As more fully explained in Note 1(0), 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.

NOTE 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 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$1,201,154, \$919,819, and \$913,804, respectively, which equaled the required contributions for each year.

NOTE 7 - SIXTEENTH SECTION LANDS

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 258,093
2009	230,903
2010	213,149
2011	179,532
2012	156,796
2013 - 2017	770,959
2018 - 2022	765,611
2023 - 2027	762,096
2028 - 2032	682,869
2033 - 2037	625,669
2038 - 2042	174,163
2043 - 2047	62,005
2045 - 2049	52,365
	<u>\$ 4,934,210</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2007

NOTE 8 - PRIOR PERIOD ADJUSTMENTS/EXHIBITS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability.	\$ <u>29,280</u>
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Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance

Explanation

Reclassify fund equity - An adjustment to correct a prior year error in recording an asset or liability.

General Funds	\$ 37,211
Bond retirement Fund	<u>(6,626)</u>
Total	<u>\$ 30,585</u>

NOTE 9 - RISK MANAGEMENT

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

NOXUBEE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2007

NOXUBEE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,867,829	2,726,244	2,735,818	(141,585)	\$ 9,574
State sources	9,575,262	9,191,537	9,191,537	(383,725)	-
Federal sources	93,639	68,739	115,344	(24,900)	46,605
Total Revenues	<u>12,536,730</u>	<u>11,986,520</u>	<u>12,042,699</u>	<u>(550,210)</u>	<u>56,179</u>
<b>Expenditures:</b>					
Instruction	7,498,662	7,023,238	7,023,281	475,424	(43)
Support services	5,021,328	5,304,553	5,409,123	(283,225)	(104,570)
Noninstructional services	-	-	-	-	-
Facilities acquisition and const.	-	57,965	-	(57,965)	57,965
Debt service					
Principal	207,070	205,214	146,607	1,856	58,607
interest	18,952	20,808	20,808	(1,856)	-
Total Expenditures	<u>12,746,012</u>	<u>12,611,778</u>	<u>12,599,819</u>	<u>134,234</u>	<u>11,959</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(209,282)</u>	<u>(625,258)</u>	<u>(557,120)</u>	<u>(415,976)</u>	<u>68,138</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	56,290	56,290	56,290	-
Operating transfers in	776,000	823,915	705,179	47,915	(118,736)
Operating transfers out	(660,567)	(705,691)	(477,964)	(45,124)	227,727
Other sources	240,031	-	-	(240,031)	-
Other uses	-	(293)	(293)	(293)	-
Total Other Financing Sources (Uses)	<u>355,464</u>	<u>174,221</u>	<u>283,212</u>	<u>(181,243)</u>	<u>108,991</u>
Net Change in Fund Balances	<u>146,182</u>	<u>(451,037)</u>	<u>(273,908)</u>	<u>(597,219)</u>	<u>177,129</u>
<b>Fund Balances:</b>					
July 1, 2006	619,102	756,674	313,739	137,572	(442,935)
Prior period adjustment	-	-	37,211	-	37,211
July 1, 2006, as restated	<u>619,102</u>	<u>756,674</u>	<u>350,950</u>	<u>137,572</u>	<u>(405,724)</u>
June 30, 2007	<u>\$ 765,284</u>	<u>305,637</u>	<u>77,042</u>	<u>(459,647)</u>	<u>\$ (228,595)</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual (GAAP Basic)	<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Sixteenth section sources	\$ 636,000	757,408	757,408	121,408	\$ -
Total Revenues	<u>636,000</u>	<u>757,408</u>	<u>757,408</u>	<u>121,408</u>	<u>-</u>
Expenditures:					
Sixteenth section	27,000	37,610	37,610	(10,610)	-
Total Expenditures	<u>27,000</u>	<u>37,610</u>	<u>37,610</u>	<u>(10,610)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>609,000</u>	<u>719,798</u>	<u>719,798</u>	<u>110,798</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(552,023)	(492,870)	(592,870)	59,153	(100,000)
Total Other Financing Sources (Uses)	<u>(552,023)</u>	<u>(492,870)</u>	<u>(592,870)</u>	<u>59,153</u>	<u>(100,000)</u>
Net Change in Fund Balances	<u>56,977</u>	<u>226,928</u>	<u>126,928</u>	<u>169,951</u>	<u>(100,000)</u>
Fund Balances:					
July 1, 2006	1,065,518	1,079,592	1,067,590	14,074	(12,002)
Prior period adjustment	-	-	-	-	-
July 1, 2006, as restated	<u>1,065,518</u>	<u>1,079,592</u>	<u>1,067,590</u>	<u>14,074</u>	<u>(12,002)</u>
June 30, 2007	<u>\$ 1,122,495</u>	<u>1,306,520</u>	<u>1,194,518</u>	<u>184,025</u>	<u>\$ (112,002)</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteen Section Principal Fund  
 For the Year Ended June 30, 2007

	Original	Final	Actual (GAAP Basic)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 23,476	32,949	32,949	9,473	\$ -
Total Revenues	<u>23,476</u>	<u>32,949</u>	<u>32,949</u>	<u>9,473</u>	<u>-</u>
Expenditures:					
Sixteenth section	-	26	26	(26)	-
Total Expenditures	<u>-</u>	<u>26</u>	<u>26</u>	<u>(26)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,476</u>	<u>32,923</u>	<u>32,923</u>	<u>9,447</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	(23,476)	(27,867)	(27,867)	(4,391)	-
Total Other Financing Sources (Uses)	<u>(23,476)</u>	<u>(27,867)</u>	<u>(27,867)</u>	<u>(4,391)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>5,056</u>	<u>5,056</u>	<u>5,056</u>	<u>-</u>
Fund Balances:					
July 1, 2006	835,136	833,508	833,508	(1,628)	-
June 30, 2007	<u>\$ 835,136</u>	<u>838,564</u>	<u>838,564</u>	<u>3,428</u>	<u>\$ -</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison 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 Revisions.

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

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
Passed-Through Mississippi Department of Education:		
Non-Cash Assistance:		
Food Donation	10.550	\$ <u>65,810</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	271,601
National School Lunch Program	10.555	734,442
Summer Food Service Program for Children	10.559	<u>35,393</u>
Total Child Nutrition Cluster		<u>1,041,436</u>
Total U.S. Department of Agriculture		<u>1,107,246</u>
 <u>U. S. Department of Education</u>		
Direct Program:		
Literacy through school libraries	84.364	<u>282,170</u>
Total		<u>282,170</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,356,003
Vocational education - basic grants to states	84.048	43,552
Safe and drug-free schools and communities - state grants	84.186	24,987
Eisenhower professional development - State grants	84.281	324,859
State grants for innovative programs	84.298	6,942
Education Technology state grants	84.318	8,469
Teacher quality enhancement grants	84.336	360
Transaction to teaching	84.350	120
Reading first state grant	84.357	415,723
Rural education	84.358	60,628
Grants for state assessments and related activities	84.369	<u>10,628</u>
Total		<u>2,252,271</u>
Special education cluster:		
Special education - grants to states	84.027	537,525
Special education - preschool grants	84.173	<u>16,721</u>
Total		<u>554,246</u>
Total passed-through Mississippi Department of Education		<u>2,806,517</u>
Total U.S. Department of Education		<u>3,088,687</u>
 <u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Temporary assistance for needy families	93.558	<u>121,072</u>
Total U. S. Department of Health and Human Services		<u>121,072</u>
 <u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>49,529</u>
Total U. S. Department of Defense		<u>49,529</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>54,610</u>
Total Federal Communications Commission		<u>54,610</u>
 <u>Corporation for National and Community service</u>		
Passed-through Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	<u>14,174</u>
Total Federal Communications Commission		<u>14,174</u>
Total for All Federal Awards		<u>\$ 4,435,318</u>

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

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

NOXUBEE COUNTY SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures  
 Governmental Funds  
 For the Year Ended June 30, 2007

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$13,803,534	10,048,279	602,932	856,506	\$ 2,295,817
Other	<u>5,335,713</u>	<u>1,594,639</u>	<u>245,580</u>	<u>62,613</u>	<u>3,432,881</u>
Total	<u>\$19,139,247</u>	<u>11,642,918</u>	<u>848,512</u>	<u>919,119</u>	<u>\$ 5,728,698</u>
 Total number of students*	 2,128				
 Cost per student	 \$ 8,994	 \$ 5,471	 \$ 399	 432	 \$ 2,692

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

**Instruction and other student instructional expenditures** - Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, and 2200 functional codes)

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

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

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

NOXUBEE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

JUNE 30, 2007

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

Superintendent and School Board  
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2007, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated July 21, 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 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 deficiencies in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we considered 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 performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Noxubee County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our 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.

*Barr, Fink, White & CC*

July 21, 2008



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

Superintendent and School Board  
Noxubee County School District

Compliance

We have audited the compliance of the Noxubee County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the 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, Noxubee County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Noxubee County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing 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.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in the internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-3 to be significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-3 to be a material weakness.

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.

*Burns, Fink, White & CC.*

July 21, 2008



**BANKS, FINLEY,  
WHITE & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2007, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated July 21, 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(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$31,691 of classroom supply funds carried over from previous years.

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

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

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

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

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

*Banks, Finley, White & Co.*  
July 21, 2008

NOXUBEE COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

JUNE 30, 2007

NOXUBEE COUNTY SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements.                                 | Unqualified |
| 2. | Material noncompliance relating to the financial statements.                                 | None        |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weaknesses identified?   | Yes         |
|    | b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes         |

Federal Awards:

- |     |  |               |
|-----|--|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs   | Unqualified   |
| 5.  | Internal control over major programs:  |               |
|     | a. Material weaknesses identified?   | Yes           |
|     | b. Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None Reported |
| 6.  | Any audit finding reported as required by Section __.510(a) of Circular A-133?   | Yes           |
| 7.  | Federal programs identified as major programs:   |               |
|     | a. Cluster: Child Nutrition<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559  |               |
|     | b. CFDA #84.010, Title I Grants to Local Educational Agencies  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?   | No            |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | Yes           |

NOXUBEE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Section 2: Findings Relating to the Financial Statements

2007-1 Condition

Material weakness.

During our audit of the general activity and club funds receipts and disbursements, we found the following internal control weaknesses.

- A. Our review of the Activity Fund School Event Receipts form revealed the following;
  - 1. In some instances the tickets sold and tickets returned section of the form was not completed.
  - 2. The form did not contain all the required signatures.
  - 3. The number of tickets sold per the beginning and ending ticket numbers did not agree with the number sold. Usually off by one (1) ticket sold.
- B. The Student Vocation and High School Club cash accounts were not recorded in the district's accounting records.

Cause

Internal administrative control procedures have not been implemented to ensure the safe guard of activities of student club funds.

Effect

Weakness in administrative control procedures over student club funds.

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts "Section F" Activity Funds.

Recommendation

The district should implement policies and procedures to correct the weaknesses stated above. Guidance can be found in the *Financial Accounting Manual for Mississippi Public School Districts*.

2007-2 Condition

Significant Deficiency not considered to be a material weaknesses.

The district paid certified employees (exempt) salaries in accordance with their contract agreements, however, the district's board minutes reflected the approval of prior year salaries (FY 2006) for salaries paid in FY 2007 and not the actual salaries approved per the contract agreements on file for FY 2007. In addition, approval of the Superintendent's salary was not reflected in the board minutes.

NOXUBEE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Cause

The current year salaries are not presented to the board for approval.

Effect

Inadequate internal control over payroll.

Criteria

State of Mississippi Financial Accounting Manual for Mississippi Public School Districts and Section 37-9-37, Miss. Code Ann. (1972).

Recommendation

The board should approve the actual salaries of the certified employees and the superintendent in accordance with Section 37-9-37, Miss. Code Ann. (1972).

Section 3: Federal Award Findings and Questioned Costs

2007-3 Condition

Material Weakness

DEPARTMENT OF AGRICULTURE  
Child Nutrition Cluster; CFDA #10.553, CFDA #10.555 & CFDA # 10.559

Two (2) monthly claims for reimbursement were not prepared and submitted by their due dates

Cause

Due care was not exercised to ensure that claims for reimbursement were prepared and submitted timely.

Effect

Claims for reimbursement were not filed timely.

Criteria

OMB Common Rule Section 41: Financial Reporting

Recommendation

All monthly claims for reimbursements are due by the 10th day of each month. Due care should be exercised to ensure compliance with this reporting requirement.

## AUDITEE'S CORRECTIVE ACTION PLAN

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



Kevin Jones, Ed. D.  
Superintendent of Education

# Noxubee County School District

P.O. Box 540  
Macon, Mississippi 39341  
Phone: (662) 726-4527 or 726-4583  
www.noxcnty.k12.ms.us

Earl Stewart, Chairperson  
Albert Williams, Vice Chairperson  
Essie Spencer, Secretary  
Hazel Johnson, Board Member  
Narvel Coleman, Board Member

Joann Grassaree  
Secretary

## RESPONSES TO SCHEDULE OF FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2007 April 18, 2008

### Section 2: Findings relating to the Financial Statements

#### Finding

#### Corrective Action Plan Details

07-01

- a. Contact Person Responsible: Terry L. Stennis  
Corrective Action Planned:  
The District will implement policies and procedures to correct the weaknesses with regards to our Activity Fund School Event Receipts form in a manner consistent with the requirements of the *Financial Accounting Manual for Mississippi Public School Districts*.
- b. Anticipated Completion Date: By the end of the 2008 school year.

07-02

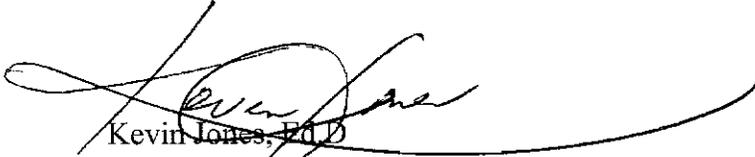
- a. Contact Person Responsible: Terry L. Stennis
- b. Corrective Action Planned  
The District will implement policies and procedures that will ensure that the District Board minutes reflect the approval of actual salaries per the contractual agreement on file for the current school year in accordance with guidelines found in the *Financial Accounting Manual for Mississippi Public School Districts*.
- c. Anticipated Completion Date: By the end of the 2008 school year.

07-03

- a. Contact Person Responsible: Terry L. Stennis
- b. Corrective Action Planned  
The District will implement policies and procedures that will ensure that all monthly claims for reimbursement are submitted by the 10<sup>th</sup> day of each month in a manner consistent with the requirement of the Child Nutrition Program guidelines and the *Financial Accounting Manual for Mississippi Public School Districts*.

c. Anticipated Completion Date: By the end of the 2008 school year.

Sincerely,



Kevin Jones, Ed.D.  
Superintendent of Education

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the Noxubee County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003:

<u>Finding</u>	<u>Status</u>
06-1	Corrective action was partially taken
06-2	Corrective action was not taken
06-3	Corrective action was taken