

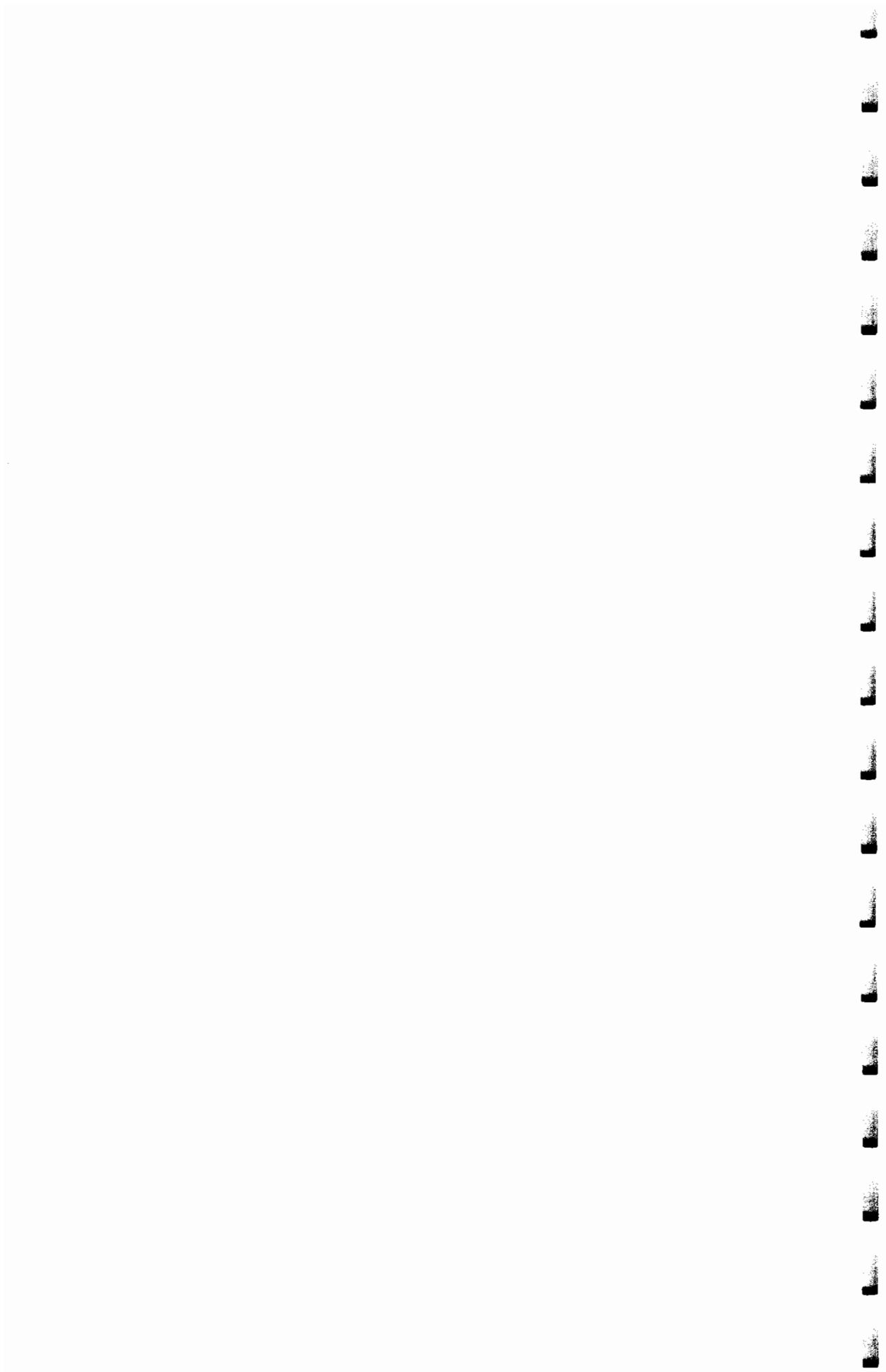


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NORTH PIKE SCHOOL DISTRICT

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

**Presented by:
Dribben & Associates, Ltd.
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411**



NORTH PIKE SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page #</u>
FINANCIAL AUDIT REPORT	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
Management's Discussion and Analysis	11
FINANCIAL STATEMENTS	19
Statement of Net Assets	21
Statement of Activities	22
Balance Sheet- Governmental Funds	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	26
Statement of Net Assets-Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets	28
Notes to the Financial Statements	29
REQUIRED SUPPLEMENTAL INFORMATION	43
Budgetary Comparison Schedule – General Fund	45
Notes to the Required Supplemental Information	47
SUPPLEMENTAL INFORMATION	49
Schedule Expenditures of Federal Awards	50
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	51
REPORTS OF COMPLIANCE AND INTERNAL CONTROL	53
Independent Auditor's Report on Compliance and Internal Control Over Financial Reports Based on an Audit of the Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	55
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance with OMB Circular A-133	57
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAW AND REGULATION	59
Independent Auditor's Report on Compliance With State Law and Regulations	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	63
Schedule of Findings and Questioned Costs	65

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NORTH PIKE SCHOOL DISTRICT

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

February 28, 2008

Superintendent and School Board
North Pike School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2007, which collectively comprise the North Pike School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the North Pike 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 North Pike 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.

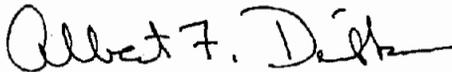
In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2008, on our consideration of the North Pike School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 45 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 North Pike 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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH PIKE SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,322,989, which represents a 12% increase from fiscal year 2006. This increase in net assets is primarily due to conservative budgeting and spending during the fiscal year.
- General revenues account for \$11,128,250 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,548,732, or 19% of total revenues.
- The District had \$12,353,993 in expenses; only \$2,548,732 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,128,250 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,998,322 in revenues and \$10,126,067 in expenditures. After net other financing sources decreases of \$503,506, the net change in fund balance for the General Fund was an increase of \$368,749 from the previous fiscal year. This increase is due primarily to conservative budgeting and spending during the year.
- Capital assets, net of accumulated depreciation, increased by \$1,992,748.
- Long-term debt decreased by \$45,072. The district made principal payments on existing long-term debt in the amount of \$45,072 during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 21 - 22 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 23 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 27.

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 29 - 41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and the Sixteenth Section Interest Fund. This required supplementary information can be found on pages 43- 45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,638,526 as of June 30, 2007.

By far the largest portion of the District's net assets (57%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	Percentage Change
Current assets	\$ 4,602,309	5,257,985	-12.47%
Other assets	1,795,922	1,469,590	22.21%
Capital assets, net	<u>8,668,907</u>	<u>6,676,159</u>	29.85%
Total assets	<u>15,067,138</u>	<u>13,403,734</u>	12.41%
Current liabilities	496,023	110,536	348.74%
Long-term debt outstanding	<u>932,589</u>	<u>977,661</u>	-4.61%
Total liabilities	<u>1,428,612</u>	<u>1,088,197</u>	31.28%
Net assets:			
Invested in capital assets, net of related debt	7,792,421	5,758,298	35.33%
Restricted	3,059,822	4,140,608	-26.10%
Unrestricted	<u>2,786,283</u>	<u>2,416,631</u>	15.30%
Total net assets	<u>\$ 13,638,526</u>	<u>12,315,537</u>	10.74%

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

- The principal retirement of \$45,072 of long-term debt.
- The addition of \$2,000,591 in capital assets is related to the construction in progress of twenty classroom additions.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$13,676,982. The total cost of all programs and services was \$12,353,993. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	June 30, 2007	June 30, 2006	Percentage Change
Revenues:			
Program revenues			
Charges for services	\$ 682,910	665,964	2.54%
Operating grants and contributions	1,741,511	1,988,683	-12.43%
Capital grants and contributions	124,311	116,474	6.73%
General revenues			
Property taxes	1,713,127	1,535,172	11.59%
Grants and contributions not restricted	8,744,283	7,676,206	13.91%
Other	670,840	1,033,614	-35.10%
Total revenues	<u>13,676,982</u>	<u>13,016,113</u>	5.08%
Expenses:			
Instruction	7,538,803	6,811,141	10.68%
Support services	3,803,517	3,427,785	10.96%
Non-instructional	819,952	717,175	14.33%
Sixteenth section	141,231	168,043	-15.96%
Interest on long-term liabilities	50,490	47,835	5.55%
Total expenses	<u>12,353,993</u>	<u>11,171,979</u>	10.58%
Increase in net assets	<u>\$ 1,322,989</u>	<u>1,844,134</u>	-28.26%

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

	2007		2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 7,538,803	(6,480,117)	\$ 6,811,141	(5,466,961)
Support services	3,803,517	(3,199,046)	3,427,785	(2,826,112)
Non-instructional	819,952	57,101	717,175	58,935
Sixteenth section	141,231	(132,709)	168,043	(118,885)
Interest on long-term liabilities	50,490	(50,490)	47,835	(47,835)
Total expenses	<u>\$12,353,993</u>	<u>(9,805,261)</u>	<u>\$11,171,979</u>	<u>(8,400,858)</u>

▪ The net cost of governmental activities in the amount of \$9,805,261 was financed by general revenue, which is made up of primarily property taxes of \$1,621,229 and state revenue of \$8,724,148.

▪ Investment earnings accounted for \$282,269 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$5,924,435, a decrease of \$712,037 from fiscal year 2006. \$3,703,791, or 63%, of the fund balance is reported in the unreserved and undesignated, which is available for spending at the District's discretion. The remaining fund balance of \$2,220,644, or 38%, is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$368,749.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from local sources were increased to due to greater earnings in interest revenue than expected and greater amounts of tax revenues expected due to new growth in the district.
- Budgeted amounts for instruction and support services were decreased due primarily to conservative spending by the school district during the year.
- Budgeted amounts for transfers out of the General Fund were revised to reflect actual transfers made during the fiscal year

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets, before depreciation, were \$11,776,333, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$2,202,181 from the previous year. Total depreciation expense for the year was \$322,999. Total accumulated depreciation as of June 30, 2007 was \$3,107,426, resulting in total net assets of \$8,668,907.

Additional information on the District's capital assets can be found in Note 4 on page 37 of this report.

Debt Administration. At June 30, 2007, the District had \$932,589 in long-term debt and other long-term debt outstanding, of which \$49,579 is due within one year.

Additional information on the District's long-term debt can be found in Note 5 on page 38 of this report.

CURRENT ISSUES

The North Pike 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 not increased or decreased significantly over the past several years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has increased 5% from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Pike School District, 1036 Jaguar Trail, Summit, MS 39666.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL STATEMENTS

NORTH PIKE SCHOOL DISTRICT

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North Pike School District
Statement of Net Assets
June 30, 2007

Exhibit A

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,322,658
Due from other governments	257,732
Inventories and prepaid items	21,919
Restricted assets	1,795,922
Capital assets, non-depreciable:	
Land	255,241
Construction in progress	2,005,041
Capital assets, net of accumulated depreciation	
Buildings	5,013,853
Improvements other than buildings	263,968
Mobile equipment	1,027,121
Furniture and equipment	103,683
Total Assets	15,067,138
Liabilities	
Accounts payable and accrued liabilities	465,421
Deferred revenue	8,375
Interest payable on long-term liabilities	22,227
Long-term liabilities (Due within 1 year)	
Capital related liabilities	46,879
Non-capital related liabilities	2,700
Long-term liabilities (Due beyond 1 year)	
Capital related liabilities	829,607
Non-capital related liabilities	53,403
Total Liabilities	1,428,612
Net Assets	
Investment in capital assets (net of related debt)	7,792,421
Restricted net assets for:	
Expendable:	
School-based activities	950,168
Debt service	20,050
Capital improvements	303,389
Forestry improvements	73,311
Unemployment benefits	30,539
Non-expendable:	
Sixteenth section	1,795,922
Unrestricted	2,672,726
Total Net assets	\$ 13,638,526

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

North Pike School District
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 7,538,803	414,751	581,355	(6,480,117)
Support services	3,803,517	-	542,740	(3,199,046)
Non-instructional	819,952	259,637	617,416	57,101
Sixteenth section	141,231	8,522	-	(132,709)
Interest on long-term liabilities	50,490	-	-	(50,490)
Total governmental activities	\$ 12,353,993	682,910	1,741,511	(9,805,261)
General revenue:				
Taxes				
General purpose levies				1,621,229
Debt service levies				91,898
Unrestricted grant and contributions:				
State				8,724,148
Federal				20,135
Unrestricted investment earnings:				282,269
Sixteenth section sources				367,541
Other				21,030
Total General Revenues				11,128,250
Changes in net assets				1,322,989
Net assets - beginning				12,315,537
Net assets - ending				\$ 13,638,526

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

North Pike School District
 Balance Sheet - Governmental Funds
 For the Year Ended June 30, 2007

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	North Pike Building Fund	3 Mill Ten Year Notes Fund	16th Section Principal Fund	Other Governmental Funds	
Assets:						
Cash and cash equivalents	\$ 2,750,862	495,994	105,471	1,795,922	970,331	6,118,580
Due from other governments	153,344	-	3,650	-	100,738	257,732
Advances to other funds	89,071	-	-	-	-	89,071
Inventories and prepaid items	-	-	-	-	21,919	21,919
	<u>2,993,277</u>	<u>495,994</u>	<u>109,121</u>	<u>1,795,922</u>	<u>1,092,988</u>	<u>6,487,302</u>
Liabilities & Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	128,664	306,330	-	-	30,427	465,421
Advances from other funds	-	-	89,071	-	-	89,071
Deferred revenue	-	-	-	-	8,375	8,375
Total liabilities	<u>128,664</u>	<u>306,330</u>	<u>89,071</u>	<u>-</u>	<u>38,802</u>	<u>562,867</u>
Fund balances:						
Reserved for:						
Advances	89,071	-	-	-	-	89,071
Inventory	-	-	-	-	21,919	21,919
Capital projects funds	113,557	189,664	-	-	168	303,389
Debt service funds	-	-	20,050	-	-	20,050
Unemployment benefits	-	-	-	-	30,539	30,539
Forestry improvement purposes	-	-	-	-	73,311	73,311
Permanent funds	-	-	-	1,795,922	-	1,795,922
Unreserved:						
Undesignated, reported in:						
General fund	2,661,985	-	-	-	-	2,661,985
Special revenue funds	-	-	-	-	928,249	928,249
Total fund balances	<u>2,864,613</u>	<u>189,664</u>	<u>20,050</u>	<u>1,795,922</u>	<u>1,054,186</u>	<u>5,924,435</u>
Total liabilities & fund balances	<u>\$ 2,993,277</u>	<u>495,994</u>	<u>109,121</u>	<u>1,795,922</u>	<u>1,092,988</u>	<u>6,487,302</u>

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,924,435
Amounts reported for net assets 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 \$3,107,426.	8,668,907
2 Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(932,589)
3 Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(22,227)
Total Net Assets - Governmental Activities	<u>\$ 13,638,526</u>

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

North Pike School District
Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
For the Year Ended June 30, 2007

Exhibit D

	Major Funds				16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	North Pike Building Fund	3 Mill Ten Year Notes Fund				
Revenues:							
Local sources	\$ 2,155,411	51,421	95,733	-	-	282,895	2,585,460
State sources	8,822,202	-	-	-	-	200,523	9,022,725
Federal sources	20,709	-	-	-	411,128	1,566,671	1,587,380
Sixteenth section sources	-	-	-	-	411,128	70,289	481,417
Total revenues	10,998,322	51,421	95,733	411,128	411,128	2,120,378	13,676,982
Expenditures:							
Instruction	6,785,401	38,789	-	-	-	639,197	7,463,387
Support services	3,307,336	-	-	-	-	587,707	3,895,043
Non-instructional services	1,630	-	-	-	-	826,211	827,841
Sixteenth section	-	-	-	19,550	-	121,681	141,231
Facilities acquisition and construction	31,700	1,968,891	-	-	-	-	2,000,591
Debt Service:							
Principal	-	-	41,375	-	-	-	41,375
Interest	-	-	47,696	-	-	-	47,696
Total expenditures	10,126,067	2,007,680	89,071	19,550	19,550	2,174,796	14,417,164
Excess (deficiency) of revenues over expenditures	872,255	(1,956,259)	6,662	391,578	(54,418)	(740,182)	
Other Financing Sources (Uses):							
Insurance loss recoveries	37,031	-	-	-	-	-	37,031
Sale of transportation equipment	1,463	-	-	-	-	-	1,463
Operating Transfers in	21,000	967,862	-	448,516	-	232,030	1,669,408
Operating Transfers out	(563,000)	-	-	(513,761)	-	(592,647)	(1,669,408)
Total Other Financing Sources (uses)	(503,506)	967,862	-	(65,245)	(65,245)	(360,617)	38,494
Net Change in Fund Balances	368,749	(988,397)	6,662	326,333	(415,035)	(701,688)	
Fund balances:							
July 1, 2006	2,495,864	1,178,061	13,388	1,469,589	-	1,479,570	6,636,472
Increase(decrease) in reserve for inventory	-	-	-	-	-	(10,349)	(10,349)
June 30, 2007	\$ 2,864,613	189,664	20,050	1,795,922	-	1,054,186	5,924,435

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

North Pike School District
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ (701,688)
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 purchased amounted to \$2,356,326 and the depreciation expense amounted to \$322,999.	2,033,327
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.	41,375
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.	(2,794)
4. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(40,579)
5. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	(10,349)
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	3,697
Change in net assets of governmental activities	<u>\$ 1,322,989</u>

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

North Pike School District
Statement of Fiduciary Net Assets
June 30, 2007

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 10,109	554,446
Total Assets	<u>10,109</u>	<u>554,446</u>
Liabilities		
Accounts payable and accrued liabilities		512,648
Due to student clubs		41,798
Total Liabilities	<u>-</u>	<u>554,446</u>
Net Assets		
Reserved for endowments	<u>10,109</u>	
Total Net Assets	<u>\$ 10,109</u>	

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

North Pike School District
 Statement of Changes in Fiduciary Net Assets
 June 30, 2007

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 57
Contributions and donations from private sources	<u>10,052</u>
Total Additions	<u>10,109</u>
Deductions	
Scholarships awarded	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Assets	<u>10,109</u>
Net Assets	
July 1, 2006	<u>-</u>
June 30, 2007	<u>\$ 10,109</u>

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

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2007

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between 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.

NORTH PIKE 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 and the accrual basis of accounting as are the Fiduciary Funds 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 Principal Fund - This is a Permanent Fund. 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.

North Pike Building Fund - This is a Capital Projects Fund. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Three Mill-Ten Year Note Fund - This is a Debt Service Fund. 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.

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.

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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

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

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

FIDUCIARY FUNDS

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

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* 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 consist 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.

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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 governmental-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.

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

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

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 column. See Note 5 for details.

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 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.

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

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

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

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.

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).

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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

(2) Cash and Cash Equivalents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,118,580 and \$564,555 respectively. The carrying amount of deposits reported in the government-wide statements was: cash and cash equivalents \$4,322,658 and Restricted Assets \$1,795,922. The restricted assets represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. The district's bank balance was \$7,078,075.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, \$0 of the district's bank balance of \$7,078,075 was exposed to custodial credit risk.

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Advances To/From Other Funds.

	Advances To	Advances From
Governmental Funds:		
General Fund	\$ 89,071	
3 Mill Ten Year Note Fund		89,071
	\$ 89,071	89,071
Total Funds	\$ 89,071	89,071

At the inception of the Three Mill Ten Year note, the first payment of principal and interest became due prior to receiving the first proceeds of the tax levy from the tax collector. The amount due, \$89,071, was borrowed from the General Fund. This amount will be repaid at the end of the note from the last proceeds of the tax levy.

B. Transfers In/Out

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 21,000	563,000
North Pike Building Fund	967,862	-
Sixteenth Section Principal Fund	448,516	513,761
Other governmental funds	232,030	592,647
	\$ 1,669,408	1,669,408
Total Funds	\$ 1,669,408	1,669,408

The transfers are distribution of interest earned in the Sixteenth Section Principal Funds , and transfers from the General Fund to the Vocational Education Fund, the North Pike Building Fund for capital projects, and to other governmental funds.

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Balance 6/30/2007
<u>Non-depreciable capital assets:</u>				
Land	\$ 255,241			255,241
Construction in progress	4,450	2,000,591		2,005,041
Total non-depreciable capital assets	<u>259,691</u>	<u>2,000,591</u>	-	<u>2,260,282</u>
<u>Depreciable capital assets:</u>				
Buildings	7,307,207			7,307,207
Improvements other than buildings	331,565			331,565
Mobile equipment	1,540,649	259,912	(143,050)	1,657,511
Furniture and equipment	135,040	95,823	(11,095)	219,768
Total depreciable capital assets	<u>9,314,461</u>	<u>355,735</u>	<u>(154,145)</u>	<u>9,516,051</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(2,161,158)	(132,196)		(2,293,354)
Improvements other than buildings	(54,334)	(13,263)		(67,597)
Mobile equipment	(581,902)	(151,070)	102,582	(630,390)
Furniture and equipment	(100,599)	(26,470)	10,984	(116,085)
Total accumulated depreciation	<u>(2,897,993)</u>	<u>(322,999)</u>	<u>113,566</u>	<u>(3,107,426)</u>
Total depreciable capital assets, net	<u>6,416,468</u>	<u>32,736</u>	<u>(40,579)</u>	<u>6,408,625</u>
Governmental activities capital assets, net	<u>\$ 6,676,159</u>	<u>2,033,327</u>	<u>(40,579)</u>	<u>8,668,907</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 100,053
Support Services	174,199
Non-instructional	48,747
Total Depreciation Expense	<u>\$ 322,999</u>

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Classroom Buildings	\$ 303,389	-
Total	<u>\$ 303,389</u>	<u>-</u>

(5) Long-term liabilities.

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2007</u>	<u>Amounts due within one year</u>
A. Three mill notes payable	\$ 917,861		41,375	876,486	44,616
B. Compensated absences payable	59,800		3,697	56,103	2,700
Total	<u>\$ 977,661</u>	<u>-</u>	<u>45,072</u>	<u>932,589</u>	<u>47,316</u>

A. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill note payable	5%	01/09/01	01/20/21	<u>\$ 1,114,000</u>	<u>876,486</u>

NORTH PIKE 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	\$ 44,616	44,455	89,071
2009	46,879	42,192	89,071
2010	49,257	39,814	89,071
2011	51,755	37,316	89,071
2012	54,380	34,691	89,071
2013-2017	316,178	129,178	445,356
2018-2021	313,421	40,559	353,980
Total	<u>\$ 876,486</u>	<u>368,205</u>	<u>1,244,691</u>

This debt will be retired from the Three Mill Note Fund.

B. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$786,565, \$680,322, and \$546,608, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 30,438
2009	29,928
2010	27,728
2011	24,050
2012	16,115
2013-2017	52,494
2018-2022	47,133
2023-2027	46,873
2028-2032	46,873
Thereafter	<u>74,197</u>
Total	<u>\$ 395,829</u>

(8) Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the school district.

(9) Subsequent Events.

On October 4, 2007, the school district approved a timber sale of \$82,118 for 47 acres of timber. Additional sales brought the balance up to \$108,186 in timber sale revenues.

On December 6, 2007, the school district approved a bid for grading of athletic fields of \$227,902. This was to be paid out of the fund balance.

In February, a bid of \$1,947,000 was accepted for renovation of the gymnasium with additional classrooms to be added to that facility. A one million dollar sixteenth section advance was approved, along with fund balance funds to pay for this construction.

Also, subsequent to the year end, a bid of \$259,500 was approved to reroof the high school building. This was paid out of fund balance monies.

NORTH PIKE SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

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

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

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NORTH PIKE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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North Pike 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
Revenues:					
Local sources	\$ 1,961,704	2,155,411	2,155,411	193,707	-
State sources	8,683,621	8,822,202	8,822,202	138,581	-
Federal sources	25,250	20,709	20,709	(4,541)	-
Total revenues	<u>10,670,575</u>	<u>10,998,322</u>	<u>10,998,322</u>	<u>327,747</u>	<u>-</u>
Expenditures:					
Instruction	6,742,070	6,817,101	6,785,401	(75,031)	31,700
Support services	3,127,119	3,307,336	3,307,336	(180,217)	-
Noninstructional services	2,500	1,630	1,630	870	-
Facilities acquisition and construction			31,700	-	(31,700)
Debt service:					
Principal	41,297			41,297	-
Interest	49,190			49,190	-
Total expenditures	<u>9,962,176</u>	<u>10,126,067</u>	<u>10,126,067</u>	<u>(163,891)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>708,399</u>	<u>872,255</u>	<u>872,255</u>	<u>163,856</u>	<u>-</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		37,031	37,031	37,031	-
Sale of transportation equipment		1,463	1,463	1,463	-
Operating transfers in	27,000	21,000	21,000	(6,000)	-
Operating transfers out	(1,773,742)	(563,000)	(563,000)	1,210,742	-
Total other financing sources and uses	<u>(1,746,742)</u>	<u>(503,506)</u>	<u>(503,506)</u>	<u>1,243,236</u>	<u>-</u>
Net change in fund balances	<u>(1,038,343)</u>	<u>368,749</u>	<u>368,749</u>	<u>1,407,092</u>	<u>-</u>
Fund balances:					
July 1, 2006	<u>2,081,587</u>	<u>2,495,864</u>	<u>2,495,864</u>	<u>414,277</u>	<u>-</u>
June 30, 2007	<u>\$ 1,043,244</u>	<u>2,864,613</u>	<u>2,864,613</u>	<u>1,821,369</u>	<u>-</u>

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

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Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 48,978
Child nutrition cluster:		
School breakfast program	10.553	172,900
National school lunch program	10.555	428,800
Total child nutrition cluster		<u>601,700</u>
Total U. S. Department of Agriculture		<u>650,678</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	20,135
Total Federal Communications Commission		<u>20,135</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services-vocational rehabilitation grants to states	84.126	374
Total		<u>374</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	298,985
Vocational education-basic grants to states	84.048	17,618
Safe and drug-free schools and communities-state grants	84.186	7,358
State grants for innovative program	84.298	2,808
Education technology state grants	84.318	2,556
Transition to teaching	84.350	200
Rural education	84.358	44,364
Improving teacher quality state grants	84.367	124,682
Total		<u>498,571</u>
Special educational cluster:		
Special education-grants to states	84.027	357,167
Special education-preschool grants	84.173	20,121
Total		<u>377,288</u>
Total passed-through Mississippi Department of Education		<u>875,859</u>
Total U. S. Department of Education		<u>876,233</u>
Total for All Federal Awards		<u>\$ 1,547,046</u>

NOTES TO SCHEDULE

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

NORTH PIKE SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures		
		General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,280,553	363,940	519,837	1,020,351
Other	5,136,611	118,080	33,722	3,734,389
Total	14,417,164	482,020	553,559	4,754,740
Total number of students	1,977			
Cost per student	\$ 7,292	244	280	2,405

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

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

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

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

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

NORTH PIKE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

NORTH PIKE SCHOOL DISTRICT

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

February 28, 2008

Superintendent and School Board
North Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2007, which collectively comprise North Pike School District's basic financial statements and have issued our report thereon dated February 28, 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.

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 principals 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.

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.

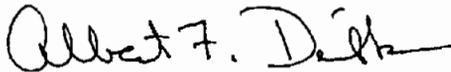
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify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

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

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

February 28, 2008

Superintendent and School Board
North Pike School District

Compliance

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

57

Al Dribben, CPA

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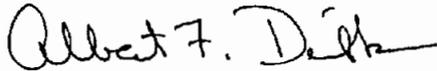
A *control* deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

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

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

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

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

NORTH PIKE SCHOOL DISTRICT

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

February 28, 2008

Superintendent and School Board
North Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2007, which collectively comprise North Pike School District's basic financial statements and have issued our report thereon dated February 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance of noncompliance. The district reported \$4,780 of classroom supply funds carried over from previous years.

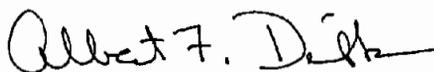
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None reported |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency 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? | No |
| 7. | Federal programs identified as major programs: | |
| | Title I – grants to local educational agencies | CFDA# 84.010 |
| | Improving teacher quality state grants | CFDA# 84.367 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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

