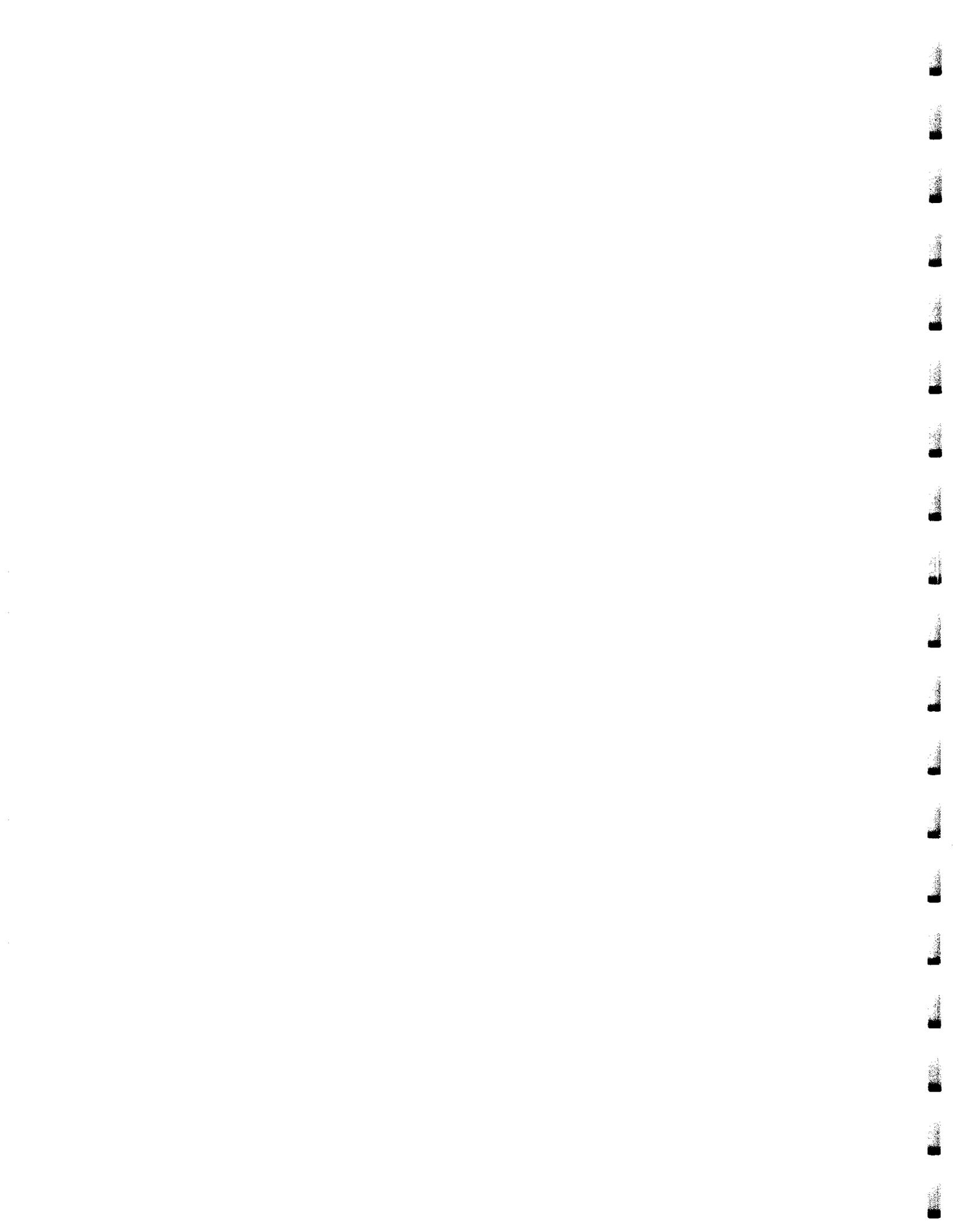




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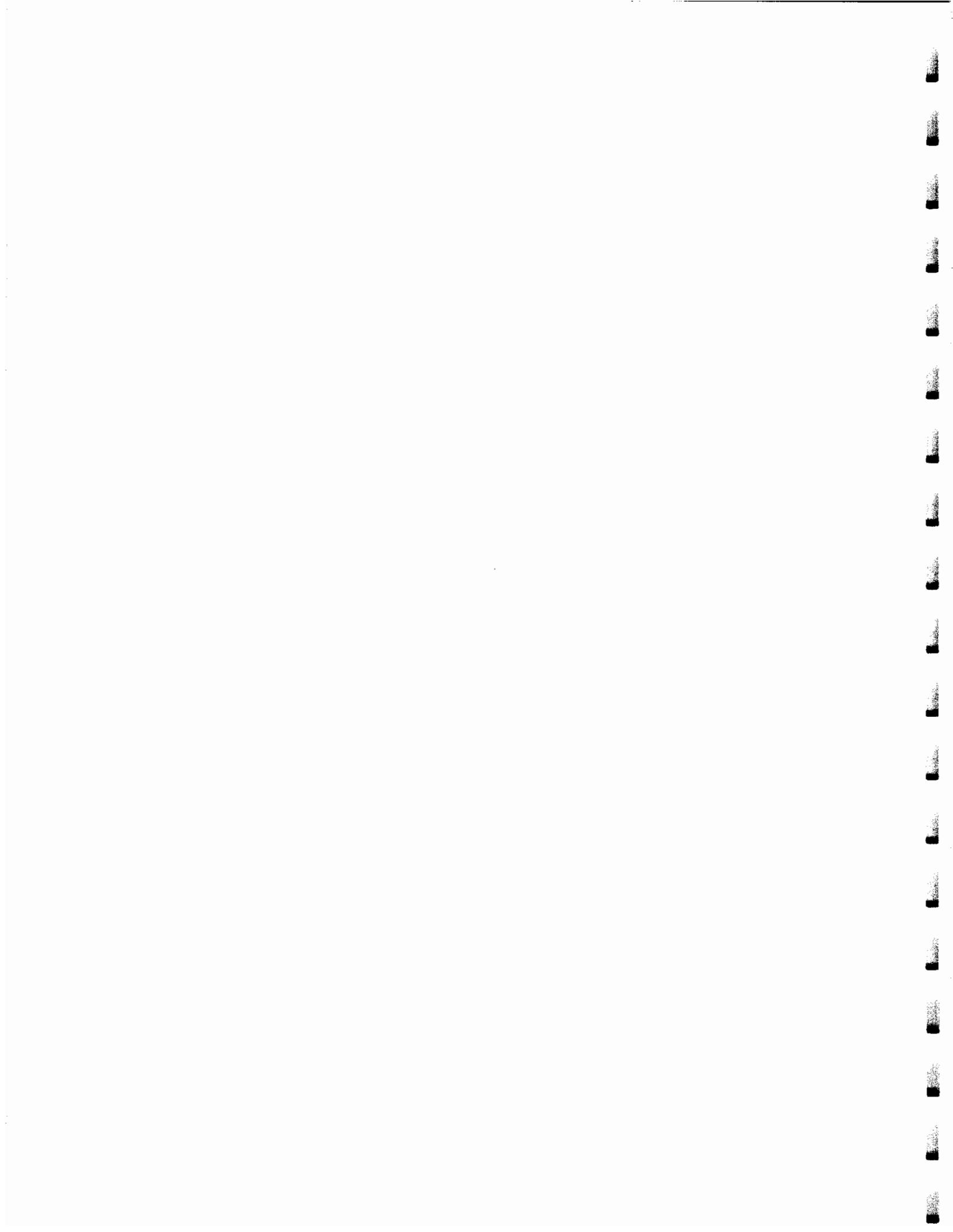
**QUITMAN SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**



# Quitman School District

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**FINANCIAL AUDIT REPORT**

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# Stephen D. Myrick C.P.A., L.L.C.

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Quitman, MS 39355

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*Member*  
*American Institute of*  
*Certified Public Accountants*

*Member*  
*Mississippi Society of*  
*Certified Public Accountants*

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

Superintendent and School Board  
Quitman School District

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2007, on my consideration of the Quitman School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Quitman 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 the 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Stephen D. Myrick  
Certified Public Accountant

November 15, 2007  
Quitman, Mississippi

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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104 East Franklin Street  
Quitman, MS 39355  
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## Quitman School District

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

The discussion and analysis of Quitman 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.

The primary mission of the Quitman School District is to provide a quality educational program that recognizes the wide range of learning capabilities, backgrounds, needs, and interests of students with the secondary mission of providing opportunities for learning and involvement for citizens residing within the school community.

Quitman School District is one of two school districts located in Clarke County, Mississippi, which has a total population of 17,955 according to the 2000 census. The total net enrollment of the district for the FY 2006 and 2007 year was 2,164 and 2,225, respectively, which represents a slight increase in enrollment between the two years and a 6% decline in the last four years.

Quitman School District operates five schools: 1) Quitman Lower Elementary, 2) Quitman Upper Elementary, 3) Quitman Junior High, 4) Quitman High School, and 5) Clarke County Career and Technology Center. The district has a workforce of approximately 361 employees. Of that number, 177 are certified teachers. Many new programs are added each year in an effort to assist students with different learning needs and abilities. These new programs often require the addition of staff or the re-organization of programs, thus leading to increases in the use of district resources.

Suzanne C. Hawley, Ed. D., Superintendent ♦ Pamela D. Compton, Ed. D., Asst. Superintendent/Personnel ♦ Wendy C. Tucker, Child Nutrition

Karen E. Chisolm, Curriculum ♦ Elisa A. Mayo, Finance ♦ Joe Edwards, Transportation ♦ Ronnie G. Cook, Maintenance

Greg Fleming, 16<sup>th</sup> Section/Testing ♦ John Korzenko, Technology ♦ Steven C. Hampton, Activities/Athletic Director

## FINANCIAL HIGHLIGHTS

- Total net assets decreased \$1,717,441, which represents 10% decrease from fiscal year 2006. This decrease is due to expenses of the district outpacing revenue growth.
- General revenues account for \$12,657,312 in revenue, or 74.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,227,638 or 25.5% of total revenues.
- The District had \$18,602,391 in expenses; only \$4,227,638 were offset by program specific charges for services, grants and contributions. General revenues of \$12,657,312 were adequate to provide for these services.
- Among major funds, the General Fund had \$12,900,919 in revenues and \$13,916,521 in expenditures. The General Fund's balance decreased \$833,471 under the prior year. This decrease can be attributed largely to an increase in spending for the instructional program, as well as, support services of the district.
- Capital assets, net of accumulated depreciation, decreased by \$263,307. This decrease is due to an increase in accumulated depreciation.
- Long-term debt increased by \$3,807,537 due to the issuance of a 3-mill note.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The

governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 17 and 19, respectively, 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 21.

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

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

The District adopts an annual operating budget for all governmental funds. Budgetary comparisons have been provided for the General Fund and each additional major fund. This required supplementary information can be found on page 43-45 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 49 of 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 \$15,443,678 as of June 30, 2007.

The largest portion of the District's net assets (40%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	Net Assets		Percentage Change
	June 30, 2007	June 30, 2006	
Current assets	\$ 9,539,950	\$ 7,574,904	25.94%
Capital assets, net	10,106,146	10,369,453	-2.54%
<b>Total assets</b>	<b>19,646,096</b>	<b>17,944,357</b>	<b>9.48%</b>
Current liabilities	\$389,275	465,831	-16.43%
Long-term debt outstanding	3,813,143	317,407	1101.34%
<b>Total liabilities</b>	<b>4,202,418</b>	<b>783,238</b>	<b>436.54%</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	6,190,579	10,214,453	-39.39%
Restricted	5,435,847	1,770,074	207.10%
Unrestricted	3,817,252	5,176,592	-26.26%
<b>Total net assets</b>	<b>\$ 15,443,678</b>	<b>\$ 17,161,119</b>	<b>-10.01%</b>

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

- A 23% increase in cash, which is a result of the issuance of a 3-mill note debt instrument reserved for construction projects in the district.
- The addition of the 3-mill note debt included as a long-term liability increased the total liabilities of the district substantially. This debt will be repaid through ad valorem taxes of the county.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$16,884,950. The total cost of all programs and services was \$18,602,391. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2007.

	Change in Net Assets		Percentage Change
	June 30, 2007	June 30, 2006	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 766,127	\$ 851,664	-10.04%
Operating grants and contributions	3,425,030	3,470,068	-1.30%
Capital grants and contributions	36,481	-	100.00%
General revenues:			
Property taxes	2,143,124	2,450,235	-12.53%
Grants and contributions not restricted	10,070,333	9,731,226	3.48%
Other	443,855	1,085,284	-59.10%
Total revenues	<u>16,884,950</u>	<u>17,588,477</u>	-4.00%
<b>Expenses:</b>			
Instruction	9,768,104	9,806,597	-0.39%
Support services	7,548,361	6,705,023	12.58%
Non-instructional	1,206,642	1,106,405	9.06%
Sixteenth section	73,686	80,953	-8.98%
Interest and other expense on long-term liabilities	5,598	12,805	-56.28%
Total expenses	<u>18,602,391</u>	<u>17,711,783</u>	5.03%
Increase (Decrease) in net assets	(1,717,441)	(123,306)	1292.83%
<b>Net Assets, July 1</b>	<u>17,161,119</u>	<u>17,284,425</u>	-0.71%
<b>Net Assets, June 30</b>	<u>\$ 15,443,678</u>	<u>\$ 17,161,119</u>	-10.01%

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

- A decrease in revenue received from Sixteenth Section sources due to low volume of timber sales for the 2007 fiscal year.
- An increase in spending for the district as related to the support services functional area.

**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 Total	2007 Net	2006	2006 Net
	Expenses	(Expense)Revenue	Expenses	(Expense) Revenue
Instruction	\$ 9,768,104	\$ (7,510,119)	\$ 9,806,597	\$ (7,329,381)
Support services	7,548,361	(6,441,190)	6,705,023	(5,843,796)
Non-instructional	1,206,642	(344,160)	1,106,405	(184,256)
Sixteenth section	73,686	(73,686)	80,953	(19,813)
Interest on long-term liabilities	5,598	(5,598)	12,805	(12,805)
Total expenses	<u>\$ 18,602,391</u>	<u>\$ (14,374,753)</u>	<u>\$ 17,711,783</u>	<u>\$ (13,390,051)</u>

- Net cost of governmental activities (\$14,374,753) was financed by general revenue, which is made up primarily of property taxes (\$2,143,124) and unrestricted state and federal revenue (\$10,070,333).
- Investment earnings accounted for \$239,671 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 \$9,423,043, an increase of \$2,313,970 from the previous year. This increase is due largely to the proceeds from the three mill note that was issued during the 2007 fiscal year. \$8,487,348 or 90% of the fund balance for fiscal year 2007 constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$935,695 or 10% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for fiscal year 2007 was \$833,471 a result of a decrease in assets, specifically cash and cash equivalents held by the district. The fund balance of Other Governmental Funds showed a decrease of \$462,668 from the previous fiscal year as a result of a decrease in the assets of the Other Governmental Funds.

## BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue were below the amounts actually collected. This difference is due to an positive collection rate from the State of MS. The original budgeted amounts underestimated for potential cuts by the Mississippi Legislature or other unforeseen collection issues. This was done upon the suggestion of the Mississippi Department of Education.

- Budgeted amounts for expenditures as a whole were above the actual amount spent. This makes for a positive variance as the district plans for the unexpected expenses of the school year.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$18,780,394, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$316,600 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$8,674,248 and total depreciation expense for the year was \$586,158, resulting in total net assets of \$10,106,146. Total net assets for the previous fiscal year was \$10,369,453.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 174,918.00	\$ 174,918.00	0.00%
Construction in progress	\$ 176,909.00	\$ -	100.00%
Buildings	5,149,484.00	5,275,686.00	-2.39%
Building improvements	2,876,939.00	3,062,343.00	-6.05%
Improvements other than buildings	308,247.00	328,774.00	-6.24%
Mobile equipment	936,064.00	1,026,174.00	-8.78%
Furniture and equipment	167,086.00	156,431.00	6.81%
Leased property under capital leases	316,499.00	345,127.00	-8.29%
<b>Total</b>	<b>\$ 10,106,146.00</b>	<b>\$ 10,369,453.00</b>	<b>-2.54%</b>

Additional information of the District's capital assets can be found in Note 4 on page 38 of this report.

**Debt Administration.** At June 30, 2007, the District had \$4,085,511 in general obligation bonds and other long-term debt outstanding, of which \$309,857 is due within one year. This is an increase in debt of \$3,768,104 from the previous fiscal year.

	Outstanding Debt		Percentage Change
	2007	2006	
Certificates of participation payable	\$ 155,000.00	\$ 155,000.00	0.00%
Three mill notes payable	3,800,000.00	-	100.00%
Other loans payable	49,161.00	60,085.00	-18.18%
Compensated absences payable	120,783.00	102,322.00	18.04%
<b>Total</b>	<b>\$ 4,124,944.00</b>	<b>\$ 317,407.00</b>	

The District does not have a bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

## **CURRENT ISSUES**

The Quitman School District is currently financially stable.

The District has committed itself to financial excellence for many years. The millage rate has increased by 7.26 mills over 10 years. For FY2007, the rate was 39.08 mills, far below the 55-mill cap set by the legislature. The millage rate for FY2006 was 32.48 mills. The millage rate is used to assess ad valorem taxes for the county in which the school district operates. 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.

Student enrollment figures have been declining since 1998, however there was a slight increase in enrollment for the 2006-2007 school year. The School District is in school improvement status, which will impact the manner in which funding is used for instructional purposes.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Quitman School District, 104 East Franklin Street, Quitman, MS 39355.

**FINANCIAL STATEMENTS**

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**QUITMAN SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 7,239,583
Investments	999,060
Due from other governments	573,610
Other receivables, net	7,534
Inventories and prepaid items	36,441
Deferred charges	39,433
Restricted assets	644,289
Capital assets, not being depreciated:	
Land	174,918
Construction in progress	176,909
Capital assets, net of accumulated depreciation:	
Buildings	5,149,484
Building improvements	2,876,939
Improvements other than buildings	308,247
Mobile equipment	936,064
Furniture and equipment	167,086
Leased property under capital leases	316,499
<b>Total Assets</b>	<b><u>\$ 19,646,096</u></b>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 77,236
Deferred revenue/Unearned revenue	238
Long-term liabilities, due within one year	
Capital related liabilities	295,000
Non-capital related liabilities	16,801
Long-term liabilities, due beyond one year	
Capital related liabilities, net	3,660,000
Non-capital related liabilities	153,143
<b>Total Liabilities</b>	<b><u>\$ 4,202,418</u></b>
<b>Net Assets:</b>	
Investment in capital assets, net of related debt	\$ 6,190,579
Restricted net assets:	
Expendable:	
School-based activities	948,669
Debt service	12,085
Capital improvements	3,610,109
Forestry improvements	177,796
Unemployment benefits	42,899
Non-expendable:	
Sixteenth section	644,289
Unrestricted	3,817,252
<b>Total Net Assets</b>	<b><u>\$ 15,443,678</u></b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Governmental Activities:					
Instruction	\$ 9,768,104	\$ 709,165	\$ 1,512,339	\$ 36,481	\$ (7,510,119)
Support services	7,548,361	56,962	1,050,209	-	(6,441,190)
Non-instructional	1,206,642	-	862,482	-	(344,160)
Sixteenth section	73,686	-	-	-	(73,686)
Interest on long-term liabilities	5,598	-	-	-	(5,598)
<b>Total governmental activities</b>	<b>\$ 18,602,391</b>	<b>\$ 766,127</b>	<b>\$ 3,425,030</b>	<b>\$ 36,481</b>	<b>(14,374,753)</b>
General Revenues:					
Taxes:					
General purpose levies					2,142,982
Debt purpose levies					142
Unrestricted grants and contributions:					
State					9,975,749
Federal					94,584
Unrestricted investment earnings					239,671
Sixteenth section sources					104,421
Insurance loss recoveries					97,757
Other					2,026
<b>Total General Revenues</b>					<b>12,657,312</b>
Change in Net Assets					(1,717,441)
Net Assets - Beginning					17,161,119
Net Assets - Ending					<u>\$ 15,443,678</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2007**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Construction Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,806,914	\$ 2,638,179	\$ 1,438,779	\$ 7,883,872
Investments	-	999,060	-	999,060
Due from other governments	179,340	-	394,270	573,610
Other receivables	183	-	9	192
Due from other funds	54,858	-	30,116	84,974
Inventories and prepaid items	-	-	36,441	36,441
Total Assets	<u>\$ 4,041,295</u>	<u>\$ 3,637,239</u>	<u>\$ 1,899,615</u>	<u>\$ 9,578,149</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 23,904	\$ 20,730	\$ 25,206	\$ 69,840
Due to other funds	30,152	6,400	41,081	77,633
Deferred revenue	-	-	238	238
Other payables	43	-	7,352	7,395
Total Liabilities	<u>54,099</u>	<u>27,130</u>	<u>73,877</u>	<u>155,106</u>
<b>Fund Balances:</b>				
<b>Reserved for:</b>				
Inventory	-	-	36,441	36,441
Debt service	-	-	12,085	12,085
Unemployment benefits	-	-	42,899	42,899
Forestry improvement purposes	-	-	177,796	177,796
Permanent fund purposes	-	-	666,474	666,474
<b>Unreserved:</b>				
<b>Undesignated, reported in:</b>				
General fund	3,987,196	-	-	3,987,196
Special revenue funds	-	-	890,043	890,043
Capital projects fund	-	3,610,109	-	3,610,109
Total Fund Balances	<u>3,987,196</u>	<u>3,610,109</u>	<u>1,825,738</u>	<u>9,423,043</u>
Total Liabilities and Fund Balances	<u>\$ 4,041,295</u>	<u>\$ 3,637,239</u>	<u>\$ 1,899,615</u>	<u>\$ 9,578,149</u>

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

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

	Amount
Total Fund Balances - Governmental Funds	\$ 9,423,043
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities.	39,433
2. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,674,248.	10,106,146
3. Long-term liabilities, net of deferred issuance costs of \$39,432 are not due payable in the current period and therefore are not reported in the funds.	(4,124,944)
Total Net Assets - Governmental Activities	\$ 15,443,678

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

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Construction Fund		
<b>Revenues:</b>				
Local sources	\$ 12,762,748	\$ 28,749	\$ 357,305	\$ 13,148,802
Intermediate sources	7,107	-	-	7,107
State sources	-	-	383,578	383,578
Federal sources	131,064	-	3,017,322	3,148,386
Sixteenth section sources	-	-	104,421	104,421
Total Revenues	<u>12,900,919</u>	<u>28,749</u>	<u>3,862,626</u>	<u>16,792,294</u>
<b>Expenditures:</b>				
Instruction	7,743,781	-	1,729,664	9,473,445
Support services	6,161,816	-	1,236,244	7,398,060
Noninstructional services	-	-	1,192,439	1,192,439
Sixteenth section	-	-	73,686	73,686
Facilities acquisition and construction	-	176,909	-	176,909
<b>Debt service:</b>				
Principal	10,924	-	-	10,924
Interest	-	-	4,098	4,098
Other	-	39,920	1,500	41,420
Total Expenditures	<u>13,916,521</u>	<u>216,829</u>	<u>4,237,631</u>	<u>18,370,981</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>				
	<u>(1,015,602)</u>	<u>(188,080)</u>	<u>(375,005)</u>	<u>(1,578,687)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from three mill notes payable	-	3,800,000	-	3,800,000
Insurance loss recoveries	97,737	-	-	97,737
Operating transfers in	2,478,866	-	1,074,495	3,553,361
Other financing sources	-	-	168	168
Operating transfers out	(2,390,164)	(871)	(1,162,326)	(3,553,361)
Other financing uses	(4,308)	(940)	-	(5,248)
Total other financing sources (uses)	<u>182,131</u>	<u>3,798,189</u>	<u>(87,663)</u>	<u>(5,080)</u>
Net Change in Fund Balances	(833,471)	3,610,109	(462,668)	2,313,970
<b>Fund Balances:</b>				
July 1, 2006	4,820,667	-	2,288,406	7,109,073
June 30, 2007	<u>\$ 3,987,196</u>	<u>\$ 3,610,109</u>	<u>\$ 1,825,738</u>	<u>\$ 9,423,043</u>

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

**QUITMAN 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	\$ 2,313,970
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$322,913, the depreciation expense amounted to \$586,158, loss on sale of assets amounted to \$62.	(263,307)
2. Governmental funds report proceeds from issuance of long-term debt as revenue while governmental activities report this as an increase to long-term debt on the Statement of Net Assets.	(3,800,000)
3. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the Statement of Activities.	39,433
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	10,924
5. Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include a net increase in compensated absences.	(18,461)
Change in Net Assets of Governmental Activities	\$ (1,717,441)

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

**QUITMAN SCHOOL DISTRICT**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2007**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets:</b>		
Cash and cash equivalents	\$ 732	\$ 641,054
Total assets	\$ 732	\$ 641,054
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ -	\$ 613,047
Due to other funds	-	7,341
Due to student clubs	-	20,666
Total liabilities	\$ -	\$ 641,054
<b>Net assets</b>		
Reserved for endowments	\$ 732	

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

**QUITMAN SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30 2007**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	\$ 732
Total additions	732
Deductions	
Scholarships awarded	1,061
Total deductions	1,061
Change in net assets	(329)
Net assets	
July 1, 2006	1,061
June 30, 2007	\$ 732

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

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 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 where each member was elected by the citizens of each defined county district.

The Quitman Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

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

**B. Basis of Presentation**

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

*Government-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the 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.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

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.

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

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recognized when earned and expenses are recorded when the liability is incurred or the 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.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**Construction Fund** – This fund accounts for the school district’s revenues and expenditures associated with renovation and addition of certain classrooms and other facilities at the upper elementary and high school buildings.

All other governmental funds not meeting this 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 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 school district’s programs.

**FIDUCIARY FUNDS**

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

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

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Account Classifications**

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

**E. Encumbrances**

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

**F. Cash and Cash Equivalents**

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

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

**G. Investments**

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

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

Investments are reported at fair market 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.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**H. 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 acquisition are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide financial statements.

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

	<u>Capitalization Thresholds</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.

**J. Long-term Liabilities and Deferred Charges**

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.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

**K. Interfund Transactions and Balances**

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

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

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

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

**L. Equity Classifications**

*Government-Wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

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 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 unemployment benefits - An account that represents the portion of 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.

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

**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 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).

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**1. Summary of Significant Accounting Policies (Continued)**

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

**2. Cash and Cash Equivalents and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Statutes impose restrictions on deposits and investments as follows:

Deposits – The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State of 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.

Investments – Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**2. Cash and Cash Equivalents and Investments (Continued)**

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 \$7,883,872 and \$641,786, respectively. The carrying amount of deposits in the government-wide statements was: Cash and cash equivalents \$7,239,583 and restricted assets \$644,289. The restricted assets of \$644,289 represent the cash balance of the Sixteenth Section Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$9,329,781.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$9,329,781 was exposed to custodial credit risk.

Investments

As of June 30, 2007, the school district had the following investments. All investments are in an internal investment pool.

<u>Investment type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Federal Home Loan Bank	Less than 1	\$ 999,060	AAA
Total investments		<u>\$ 999,060</u>	

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

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

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**2. Cash and Cash Equivalents and Investments (Continued)**

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. government, investments, in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the school district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Morgan Keegan - Federal Home Loan Bank	\$ 999,060	100%
Total	<u>\$ 999,060</u>	

**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>
Government Funds:		
General fund	\$ 54,858	\$ 30,152
Construction fund	-	6,400
Non-major funds	30,116	41,081
Fiduciary	-	7,341
Total funds	<u>\$ 84,974</u>	<u>\$ 84,974</u>

The purpose of the above loans represent the recording of indirect costs in federal grants, loans for working capital and interest earned in agency funds that will be transferred to the district maintenance.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**3. Interfund Transactions and Balances (Continued)**

**B. Transfers In/Out:**

	<u>Transfer In</u>	<u>Transfer Out</u>
Government Funds:		
General fund	\$ 2,478,866	\$ 2,390,164
Construction fund	-	871
Non-major funds	1,074,495	1,162,326
Total funds	<u>\$ 3,553,361</u>	<u>\$ 3,553,361</u>

The principal purpose of interfund transfers was to provide operating funds to other governmental funds from district maintenance, to pay indirect costs of federal grants and administrative costs of the alternative school. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**4. Capital Assets**

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

	<u>Balance 7/1/06</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/07</u>
<b>Non-depreciable capital assets:</b>					
Land	\$ 174,918	\$ -	\$ -	\$ -	\$ 174,918
Construction in progress	-	176,909	-	-	176,909
Total non-depreciable capital assets	<u>174,918</u>	<u>176,909</u>	<u>-</u>	<u>-</u>	<u>351,827</u>
<b>Depreciable capital assets:</b>					
Buildings	8,823,933	-	-	-	8,823,933
Building improvements	4,635,110	-	-	-	4,635,110
Improvements other than buildings	513,166	-	-	-	513,166
Mobile Equipment	2,620,850	76,500	-	-	2,697,350
Furniture and equipment	976,800	69,504	(6,313)	-	1,039,991
Leased property under capital leases	719,017	-	-	-	719,017
Total depreciable capital assets	<u>18,288,876</u>	<u>146,004</u>	<u>(6,313)</u>	<u>-</u>	<u>18,428,567</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(3,548,247)	(126,202)	-	-	(3,674,449)
Building improvements	(1,572,767)	(185,404)	-	-	(1,758,171)
Improvements other than buildings	(184,392)	(20,527)	-	-	(204,919)
Mobile Equipment	(1,594,676)	(166,610)	-	-	(1,761,286)
Furniture and equipment	(820,369)	(58,787)	6,251	-	(872,905)
Leased property under capital leases	(373,890)	(28,628)	-	-	(402,518)
Total accumulated depreciation	<u>(8,094,341)</u>	<u>(586,158)</u>	<u>6,251</u>	<u>-</u>	<u>(8,674,248)</u>
Total depreciable capital assets, net	<u>10,194,535</u>	<u>(440,154)</u>	<u>(62)</u>	<u>-</u>	<u>9,754,319</u>
Governmental activities capital assets, net	<u>\$ 10,369,453</u>	<u>\$ (263,245)</u>	<u>\$ (62)</u>	<u>\$ -</u>	<u>\$ 10,106,146</u>

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**4. Capital Assets (Continued)**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 291,375
Support services	280,580
Non-instructional	14,203
Total depreciation expense	\$ 586,158

The capital assets include significant amount of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

	Remaining Commitment	Required Future Financing
High school addition and upper elementary addition and renovation	\$ 2,863,000	\$ -
Total	\$ 2,863,000	\$ -

**5. Long-term Liabilities**

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

	Balance 7/1/06	Additions	Reductions	Balance 6/30/07	Amounts due within one year
A. Certificates of participation payable	\$ 155,000	\$ -	\$ -	\$ 155,000	\$ 155,000
B. Three mill notes payable	-	3,800,000	-	3,800,000	140,000
C. Other loans payable	60,085	-	10,924	49,161	10,924
D. Compensated absences payable	102,322	23,411	4,950	120,783	5,877
Total	\$ 317,407	\$ 3,823,411	\$ 15,874	\$ 4,124,944	\$ 311,801

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**A. Certificates of participation**

As more fully explained in Notes 1(A) and 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation school lease	Varies	7/15/1993	7/15/2008	\$ 800,000	\$ 155,000
Total				<u>\$ 800,000</u>	<u>\$ 155,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	155,000	2,200	157,200
Total	<u>\$ 155,000</u>	<u>\$ 2,200</u>	<u>\$ 157,200</u>

This debt will be retired from the EEF Buildings and Buses Fund.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, series 2007	Varies	4/15/2007	4/15/2017	\$ 3,800,000	\$ 3,800,000
Total				<u>\$ 3,800,000</u>	<u>\$ 3,800,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 140,000	\$ 156,834	\$ 296,834
2009	150,000	149,834	299,834
2010	155,000	142,334	297,334
2011	165,000	134,584	299,584
2012-2016	940,000	545,869	1,485,869
2017-2021	1,055,000	346,028	1,401,028
2022-2026	985,000	149,063	1,134,063
2027	210,000	7,875	217,875
	<u>\$ 3,800,000</u>	<u>\$ 1,632,419</u>	<u>\$ 5,432,419</u>

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**5. Long-term Liabilities (Continued)**

**C. Other loans payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos Promissory Note	0%	7/12/1993	11/1/2011	\$ 2,685,000	\$ 49,161
				<u>\$ 2,685,000</u>	<u>\$ 49,161</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 10,924		\$ 10,924
2009	10,924		10,924
2010	10,924		10,924
2011	10,924		10,924
2012	5,465		5,465
	<u>\$ 49,161</u>	<u>\$ -</u>	<u>\$ 49,161</u>

**B. Compensated absences payable**

As more fully explained in Note 1(O), compensated absence 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.

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**6. Defined Benefit Pension Plan (Continued)**

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006, and 2005 were \$1,144,676, \$1,071,840, and \$968,380, respectively, which equaled the required contributions for each year.

**7. Other Commitments**

Commitments under construction contracts are described in Note 4.

**8. Sixteenth Section Lands**

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

Year Ended June 30	Amount
2008	\$ 42,411
2009	42,311
2010	42,311
2011	42,200
2012	4,353
2013-2017	2,685
2018-2022	2,685
2023-2027	2,685
2028-2032	2,685
2033-2037	2,685
2038-2042	2,148
Total	<u>\$ 189,159</u>

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**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. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

*Participation in Public Entity Risk Pool.*

The school district is a member of 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 school district'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 by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**10. Trust Certificates**

A trust agreement dated July 15, 1993, was executed by and between the school district and The Peoples Bank of Biloxi, as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount \$800,000. Approximately, \$786,092 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$13,908 was used to pay the cost of issuance.

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

**QUITMAN SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**For the Year Ended June 30, June 30, 2007**

**10. Trust Certificates (Continued)**

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5(A) for details regarding the debt service requirements on the trust certificates.

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**QUITMAN 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	\$ 2,683,583	\$ 2,762,869	\$ 12,762,748	\$ 79,286	\$ 9,999,879
Intermediate	-	7,107	7,107	7,107	-
State sources	9,477,938	9,999,879	131,064	521,941	(9,868,815)
Federal sources	100,216	131,064	-	30,848	(131,064)
Total revenues	<u>12,261,737</u>	<u>12,900,919</u>	<u>12,900,919</u>	<u>639,182</u>	<u>-</u>
<b>Expenditures:</b>					
Instruction	7,834,217	7,743,781	7,743,781	90,436	-
Support services	6,679,326	6,161,816	6,161,816	517,510	-
<b>Debt service:</b>					
Principal	35,574	10,924	10,924	24,650	-
Total expenditures	<u>14,549,117</u>	<u>13,916,521</u>	<u>13,916,521</u>	<u>632,596</u>	<u>-</u>
Excess (Deficiency) of revenues over expenditures	<u>(2,287,380)</u>	<u>(1,015,602)</u>	<u>(1,015,602)</u>	<u>1,271,778</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	97,737	97,737	97,737	-
Operating transfers in	1,890,570	1,958,762	2,478,866	68,192	520,104
Operating transfers out	(1,995,517)	(2,069,762)	(2,390,164)	(74,245)	(320,402)
Other financing uses	-	-	(4,308)	-	(4,308)
Total other financing sources (uses)	<u>(104,947)</u>	<u>(13,263)</u>	<u>182,131</u>	<u>91,684</u>	<u>195,394</u>
Net change in fund balances	<u>(2,392,327)</u>	<u>(1,028,865)</u>	<u>(833,471)</u>	<u>1,363,462</u>	<u>195,394</u>
<b>Fund Balances:</b>					
July 1, 2006	4,977,711	5,334,691	4,820,667	356,980	(514,024)
June 30, 2007	<u>\$ 2,585,384</u>	<u>\$ 4,305,826</u>	<u>\$ 3,987,196</u>	<u>\$ 1,720,442</u>	<u>\$ (318,630)</u>

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

**QUITMAN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule**  
**Construction 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	\$ -	\$ 27,879	\$ 28,749	\$ 27,879	\$ 870
Total Revenues	-	27,879	28,749	27,879	870
<b>Expenditures:</b>					
Facilities acquisition and construction	-	176,909	176,909	(176,909)	-
Debt service:					
Other		39,920	39,920	(39,920)	-
Total Expenditures	-	216,829	216,829	(216,829)	-
Excess (Deficiency) of revenues over Expenditures	-	(188,950)	(188,080)	(188,950)	870
<b>Other financing sources (uses):</b>					
Proceeds of loans	-	3,800,871	3,800,000	3,800,871	(871)
Operating transfers out	-	(871)	(871)	(871)	-
Other financing uses	-	(940)	(940)	(940)	-
Total Other Financing Sources (Uses)	-	3,799,060	3,798,189	(871)	(871)
Net Change in Fund Balances	-	3,610,110	3,610,109	3,610,110	(1)
<b>Fund Balances:</b>					
July 1, 2006	-	-	-	-	-
June 30, 2007	\$ -	\$ 3,610,110	\$ 3,610,109	\$ 3,610,110	\$ (1)

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

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

**1. Basis of Presentation**

The Budgetary Comparison Schedules 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 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.

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**SUPPLEMENTAL INFORMATION**

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**QUITMAN SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	67,084
Child nutrition cluster:		
School breakfast program	10.553	255,408
National school lunch program	10.555	646,887
Total child nutrition cluster		902,295
Total U.S. Department of Agriculture		969,379
<u>Federal Communications Commissions</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	85,148
Total Federal Communications Commission		85,148
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,080,098
Vocational education - basic grants to states	84.048	28,552
Safe and drug-free schools and communities - state grants	84.186	11,479
Education for homeless children and youth	84.196	2,676
Twenty-first century community learning centers	84.287	135,782
Innovative education program strategies	84.298	4,036
Education technology state grants	84.318	15,300
Reading excellence	84.338	1,279
Rural education	84.358	65,214
Improving teacher quality state grants	84.367	197,821
Grants for state assessments and related activities	84.369	12,896
Hurricane education recovery	84.938	9,436
Total		1,564,569
Special education cluster:		
Special education - grants to states	84.027	456,285
Special education - preschool grants	84.173	36,800
Total special education cluster		493,085
Total passed-through Mississippi Department of Education		2,057,654
Total U.S. Department of Education		2,057,654
Total for All Federal Awards		<u>\$ 3,112,181</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same 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.

**QUITMAN 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	\$ 13,676,621	\$ 9,671,559	\$ 644,952	1,045,859	\$ 2,314,251
Other	4,694,360	1,437,396	235,847	13,590	3,007,527
<b>Total</b>	<b>\$ 18,370,981</b>	<b>\$ 11,108,955</b>	<b>\$ 880,799</b>	<b>\$ 1,059,449</b>	<b>\$ 5,321,778</b>
Total number of students	2,225				
Cost per student	\$ 8,257	\$ 4,993	\$ 396	\$ 476	\$ 2,392

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

**Instruction and Other Student Instructional Expenditures** – includes the activities dealing 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 function codes)

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

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

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

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

**Salaries and fringe benefits** – includes 100 and 200 range object codes

**Other** – includes all other expenditures

**REPORTS ON COMPLIANCE AND INTERNAL CONTROL**

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# Stephen D. Myrick C.P.A., L.L.C.

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

Superintendent and School Board  
Quitman School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2007, which collectively comprise the Quitman School District's basic financial statements and have issued my report thereon dated November 15, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly I do not express such an opinion. The results of my tests 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, 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.



Stephen D. Myrick  
Certified Public Accountant

November 15, 2007  
Quitman, Mississippi

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

Superintendent and School Board  
Quitman School District

### Compliance

I have audited the compliance of the Quitman School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, Quitman 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 Quitman 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 my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation oversight, 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.



Stephen D. Myrick  
Certified Public Accountant

November 15, 2007  
Quitman, Mississippi

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

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# Stephen D. Myrick C.P.A., L.L.C.

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

Superintendent and School Board  
Quitman School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman School District as of and for the year ended June 30, 2007, which collectively comprise Quitman School District's basic financial statements and have issued my report thereon dated November 15, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$3,180 of classroom supply funds carried over from previous years.

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

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

As required by the state legal compliance audit program prescribed by the Office of State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my 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 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.



Stephen D. Myrick  
Certified Public Accountant

November 15, 2007  
Quitman, Mississippi

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**Quitman School District**  
**Schedule of Findings and Questioned Costs**  
**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 weakness(es) identified?   | No            |
| b. Significant deficiency(ies) 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(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses?   | None Reported |
| 6. Any audit finding(s) reported as required by Section __.510(a) of OMB Circular A-133?   | No            |
| 7. Federal programs identified as major programs:  |               |
| a. Title I – grants to local educational agencies<br>CFDA #: 84.010  |               |
| 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(s) 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            |

**Quitman School District**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2007**

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

The results of my tests did not disclose any findings and questioned costs related to the federal awards that are required to be reported.