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LAFAYETTE COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2008

LAFAYETTE COUNTY SCHOOL DISTRICT
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LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.

The Dwight L. Young Group
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Lafayette County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2008, which collectively comprise the Lafayette County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lafayette County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2009, on our consideration of the Lafayette County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA PRIVATE COMPANIES PRACTICE SECTION

MISSISSIPPI SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedules and corresponding notes on pages 55 through 59 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The other supplemental information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The Dwight L. Young Group

October 27, 2009

LAFAYETTE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAFAYETTE COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008

The discussion and analysis of Lafayette County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets increased $634,390, which represents 7.57% increase from fiscal year 2007.

General revenues account for $18,921,634 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,350,514 or 19% of total revenues.

The District had $22,637,758 in expenditures; only $4,350,514 of these expenditures were offset by program specific charges for services, grants and contributions. General revenues of $18,921,634 were adequate to provide for these programs.

Among major funds, the General Fund had $17,761,482 in revenues and $16,667,440 in operating expenditures. The General Fund's fund balance increased $45,259 from the prior year.

Capital assets, net of accumulated depreciation, decreased by $491,411.

Long-term debt decreased by $573,604.

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 and other expenditures on long-term liabilities.

The government-wide financial statements can be found on pages 19 through 20 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 23 and 26, respectively.

The District maintains individual governmental funds in accordance with the Financial Accounting Manual for Mississippi Public School Districts issued by the Mississippi Department of Education. 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 21, 22, 24 and 25 of this report.

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

NOTES TO THE FINANCIAL STATEMENTS. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 53 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 55 through 59 of this report.

The District has included a Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds (page 63) and Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund and All Governmental Funds (pages 65 through 66) for the last four years as required by the Mississippi Department of Education.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 can be found on pages 61 and 62 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 $9,017,375 as of June 30, 2008.

The largest portion of the District's restricted net assets is those net assets restricted for debt service. The District is committed to maintaining a sufficient cash balance to meet payments of interest and principal as they become due.

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 ending June 30, 2008 and 2007, respectively:

	JUNE 30, 2008	JUNE 30, 2007	PERCENT CHANGE OVER PRIOR YEAR
Current Assets	$ 4,263,244	$ 4,091,467	4.20%
Capital Assets, Net	22,317,438	22,808,849	-2.15%
Total Assets	$ 26,580,682	$ 26,900,316	-1.19%
Current Liabilities	$ 221,457	$ 601,877	-63.21%
Long-term Liabilities	17,341,850	17,915,454	-3.20%
Total Liabilities	$ 17,563,307	$ 18,517,331	-5.15%
Net Assets			
Invested in Capital Assets, Net of Related Debt	$ 6,087,438	$ 5,553,849	9.61%
Restricted	2,614,689	2,304,303	13.47%
Unrestricted	315,248	524,833	-39.93%
Total Net Assets	$ 9,017,375	$ 8,382,985	7.57%

The net effect of transactions involving capital assets was an decrease in the amount of $491,411. Depreciation expense for the year was $769,930.

CHANGES IN NET ASSETS. The District's total revenues for the fiscal year ended June 30, 2008, were $23,272,148. The total cost of all programs and services was $22,637,758. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and 2007, respectively:

	JUNE 30, 2008	JUNE 30, 2007	PERCENT CHANGE OVER PRIOR YEAR
Revenues:			
Program Revenues			
Charges for Services	$ 1,418,813	$ 1,367,045	3.79%
Operating Grants & Contributions	2,931,701	2,787,440	5.18%
General Revenues			
Property Taxes	6,634,541	6,513,781	1.85%
Grants & Contributions, Not Restricted	12,109,692	10,996,398	10.12%
Unrestricted Investment Earning	112,009	128,790	-13.03%
Other	65,392	184,267	-64.51%
Total Revenues	$ 23,272,148	$ 21,977,721	5.89%
Expenditures:			
Instruction	$ 13,321,114	$ 12,541,631	6.22%
Support Services	7,783,351	6,889,052	12.98%
Non-instructional	831,412	1,049,861	-20.81%
Interest on Long-term Debt and Other Cost of Long-term Debt	701,881	739,034	-5.03%
Total Expenditures	$ 22,637,758	$ 21,219,578	6.68%
Increase in Net Assets	$ 634,390	$ 758,143	-16.32%
Net Assets, July 1	8,382,985	7,624,842	9.94%
Net Assets, June 30	$ 9,017,375	$ 8,382,985	7.57%

GOVERNMENTAL ACTIVITIES. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, and interest and other expenditures on long-term debt for fiscal years ending June 30, 2008 and 2007. 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.

	2008		2007	
	TOTAL EXPENDITURES	NET REVENUE	TOTAL EXEPENDITURES	NET REVENUE
Instruction	$ 13,321,114	$(10,906,995)	$ 12,541,631	$ (9,588,864)
Support Service	7,783,351	(6,967,543)	6,889,052	(6,751,075)
Non-Instructional	831,412	289,175	1,049,861	13,880
Interest and Other Expenditures on Long-Term Liabilities	701,881	(701,881)	739,034	(739,034)
Total Expenditures	$ 22,637,758	$(18,287,244)	$ 21,219,578	$(17,065,093)

Net cost of governmental activities $(18,287,244), was financed by general revenue, which is made up of primarily property taxes $6,634,541 and unrestricted grants from state and federal governments $12,109,692.

Investment earnings accounted for $112,009 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 $4,181,179, an increase of $547,184 over 2006-2007. $1,675,522 or 40% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $2,505,657 or 60% is reserved or designated to indicate that it is not available for spending because the funds have already been committed. Of the reserved/designated balance, $850,930, (34%), is reserved for capital improvements while $1,467,675, (59%), is reserved for debt service. The remaining $187,052 or 7% of the reserved fund balances consist of miscellaneous funds.

The General fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $45,259.

The following table is a comparison of the fund balances of the district on June 30, 2008 and 2007, respectively.

	JUNE 30, 2008	JUNE 30, 2007
Major Funds:		
General	$ 1,374,951	$ 1,329,692
School Lunch Fund	5,049	25,033
Three Mill Capital Project Fund	785,586	-0-
Capital Projects 2005 Fund	-0-	62,978
Debt Service Series 2002 Bond Issue Fund	507,102	542,666
Debt Service MAEP Retirement Funds	534,066	501,136
Other Governmental Funds	974,425	1,172,490
Ending Fund Balance	$ 4,181,179	$ 3,633,995

BUDGETARY HIGHLIGHTS

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

As required supplemental information, the following schedule shows the original and final budget amounts compared to the actual financial activity of the District's governmental funds.

Revenues for state sources were decreased from the original budget to the amended budget. The original budget contained estimates for state sources that were funded at a lessor amount than anticipated.

Budget amounts for federal sources were decreased as a result of reduction in grant awards. This resulted in expenditure decreases as well. The actual expenditures were less than budget. The final budget contains the exact amount of the federal grants. Differences between the final approved grants and actual expenditures are carried over to the next fiscal year.

The final budget amount for capital project expenditures equals the bid amount of the different projects. The actual expenditures represents the percentage completed during the 2007-2008 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS. As of June 30, 2008, the District's total capital assets were $28,480,932, including land, construction-in-progress, school buildings, buses, other school vehicles and furniture and equipment. Total depreciable capital assets increased by $10,107,582 from the previous year. This increase was largely due to the reclassification of $9,854,802 from construction in progress to completed capital assets. The purchase of additional school buses and furniture for newly constructed buildings comprised the remainder of the increase. Total accumulated depreciation as of June 30, 2008, was $6,163,494, and total depreciation expense for the year was $769,930. During the year, $16,494 of capital assets were retired. These assets had been depreciated $12,936 resulting in a loss of $3,558. The combination of the purchased assets, depreciation taken, and disposal of assets resulted in total net assets of $22,317,438.

	CAPITAL ASSETS, NET OF DEPRECIATION		PERCENT CHANGE
	2008	2007	OVER PRIOR PERIOD
Land	$ 436,877	$ 436,877	0.00%
Construction in Progress	-0-	9,841,999	-100.00%
Buildings	16,149,359	9,318,308	73.31%
Building Improvements	2,007,604	2,098,859	-4.35%
Improvements Other Than Building	2,599,134	66,836	3788.82%
Mobile Equipment	977,848	867,119	12.77%
Furniture and Equipment	146,616	178,851	-18.02%
Total	$ 22,317,438	$ 22,808,849	-2.15%

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

DEBT ADMINISTRATION. At June 30, 2008, the District had $17,341,850 in general obligation bonds and other long-term debt outstanding, of which $1,426,275 is due within one year.

	OUTSTANDING DEBT		PERCENT CHANGE
	2008	2007	OVER PRIOR PERIOD
General Obligation Bonds Payable	$ 15,210,000	$ 16,005,000	-4.97%
Limited Obligation Bonds Payable	1,020,000	1,250,000	-18.40%
Three Mill Notes Payable	750,000	255,000	194.12%
Obligations Under Energy Efficiency Lease	121,116	212,633	-43.04%
Compensated Absences Payable	240,734	192,821	24.85%
Total	$ 17,341,850	$ 17,915,454	-3.20%

The District maintains a AAA bond rating.

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

CURRENT ISSUES

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

The District has committed itself to financial excellence while practicing fiscal restraint for many years. 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 continues to rise in the district. This increase has created a need for additional space. As individual classes progress through our district, they will demand future expansion of the high school in order to accommodate the volume of students. The elementary students of today will be high school students ten years from now and we must begin preparing now to avoid future debt incurrence. In anticipation of this need, the Lafayette County School District plans to begin construction on an additional wing to the high school in January, 2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Central Office of the Lafayette County School District, 100 Commodore Drive, Oxford, MS 38655.

LAFAYETTE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - EXHIBIT A
June 30, 2008

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 3,127,370
Due from Other Governments	605,694
Other Receivables, Net	76,469
Inventories	19,679
Restricted Assets	381,885
Deferred Charges	52,147
Capital Assets-Non-Depreciable	
Land	436,877
Capital Assets, Net of Accum. Depreciation	
Buildings	16,149,359
Building Improvements	2,007,604
Improvements Other than Buildings	2,599,134
Mobile Equipment	977,848
Furniture and Equipment	146,616
TOTAL ASSETS	26,580,682
LIABILITIES	
Accounts Payable and Accrued Liabilities	29,918
Interest Payable on Long-term Liabilities	191,539
Long-Term Liabilities (Due within one year)	
Capital Related	1,085,000
Non-capital Related	341,275
Long-Term Liabilities (Due beyond one year)	
Capital Related	15,145,000
Non-capital Related	770,575
TOTAL LIABILITIES	17,563,307
NET ASSETS	
Invested in Capital Assets (Net of Related Debt)	6,087,438
Restricted Net Assets:	
Expendable:	
School - Based Activities	417,587
Debt Service	1,276,136
Capital Improvements	850,930
Unemployment Benefits	70,036
Unrestricted	315,248
TOTAL NET ASSETS	$ 9,017,375

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - EXHIBIT B
For the Year Ended June 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: TOTAL
Governmental Activities:				
Instruction	$ 13,321,114	$ 1,054,300	$ 1,359,819	$(10,906,995)
Support Services	7,783,351	-0-	815,808	(6,967,543)
Noninstructional Services	831,412	364,513	756,074	289,175
Interest on Long-Term Debt	701,881	-0-	-0-	(701,881)
Total Governmental Activities	$ 22,637,758	$ 1,418,813	$ 2,931,701	$(18,287,244)
General Revenues:				
Taxes:				
Property Taxes - General Purposes				5,002,675
Property Taxes - Debt Service				1,631,866
Unrestricted Grants and Contributions:				
State				11,926,071
Federal				183,621
Unrestricted Investment Earnings				112,009
Loss on Disposal of Assets				(3,558)
Other				68,950
Total General Revenues				18,921,634
Change in Net Assets				634,390
Net Assets - Beginning				8,382,985
Net Assets - Ending				$ 9,017,375

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

LAFAYETTE COUNTY SCHOOL DISTRICT
BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C
June 30, 2008

	MAJOR FUNDS								
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE II - IMPROVE TEACHER QUALITY FUND	IDEA - PART B FUND	THREE MILL CAPITAL PROJECT FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS									
Cash and Cash Equivalents	$ 851,052	$ 58,542	$ -0-	$ -0-	$ 802,898	$ 492,124	$ -0-	$ 922,754	$ 3,127,370
Investments	-0-	-0-	-0-	-0-	-0-	-0-	381,885	-0-	381,885
Due from Other Governments	256,624	-0-	37,385	56,470	-0-	14,978	152,181	88,056	605,694
Other Receivables, Net	259	-0-	-0-	-0-	-0-	-0-	-0-	-0-	259
Due from Other Funds	199,179	-0-	-0-	1,575	-0-	-0-	-0-	14,018	214,772
Advances to Other Funds	72,353	-0-	-0-	-0-	-0-	-0-	-0-	-0-	72,353
Inventories	-0-	19,679	-0-	-0-	-0-	-0-	-0-	-0-	19,679
Total Assets	1,379,467	78,221	37,385	58,045	802,898	507,102	534,066	1,024,828	4,422,012
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts Payable and Accrued Liabilities	4,516	819	495	19,279	-0-	-0-	-0-	4,809	29,918
Due to Other Funds	-0-	-0-	36,890	38,766	17,312	-0-	-0-	45,594	138,562
Advances from Other Funds	-0-	72,353	-0-	-0-	-0-	-0-	-0-	-0-	72,353
Total Liabilities	4,516	73,172	37,385	58,045	17,312	-0-	-0-	50,403	240,833

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

LAFAYETTE COUNTY SCHOOL DISTRICT
BALANCE SHEET GOVERNMENTAL FUNDS - EXHIBIT C
June 30, 2008

MAJOR FUNDS

	GENERAL FUND	SCHOOL LUNCH FUND	TITLE II - IMPROVE TEACHER QUALITY FUND	IDEA - PART B FUND	THREE MILL CAPITAL PROJECT FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Fund Balances:									
Reserved for:									
Advances	$ 72,353	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-	$ 72,353
Inventory	-0-	19,679	-0-	-0-	-0-	-0-	-0-	-0-	19,679
Ad Valorem	24,984	-0-	-0-	-0-	-0-	-0-	-0-	-0-	24,984
Capital Projects	-0-	-0-	-0-	-0-	785,586	-0-	-0-	65,344	850,930
Debt Service	-0-	-0-	-0-	-0-	-0-	507,102	534,066	426,507	1,467,675
Unemployment Benefits	-0-	-0-	-0-	-0-	-0-	-0-	-0-	70,036	70,036
Unreserved:									
Undesignated, Reported In:									
General Fund	1,277,614	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,277,614
Special Revenue Fund	-0-	(14,630)	-0-	-0-	-0-	-0-	-0-	412,538	397,908
Total Fund Balances	1,374,951	5,049	-0-	-0-	785,586	507,102	534,066	974,425	4,181,179
Total Liabilities and Fund Balance	1,379,467	78,221	37,385	58,045	802,898	507,102	534,066	1,024,828	4,422,012

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - EXHIBIT C-1
June 30, 2008

Total Fund Balance - Governmental Funds		$ 4,181,179
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
1. Capital Assets Used in Governmental Activities are not Financial Resources and, therefore, are not Reported in the Funds:		
Capital Assets	28,480,932	
Less Accumulated Depreciation	6,163 494	22,317,438
2. Long-term Liabilities are not Due and Payable in the Current Period And, therefore, are not Reported in the Funds, as follows		
Deferred Charges on Refunding Debt	52,147	
Long-term Liabilities	(17,341,850)	
Accrued Interest on Bonds	(191,539)	(17,481,242)
Total Net Assets - Governmental Activities		$ 9,017,375

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT D
For the Year Ended June 30, 2008

	MAJOR FUNDS								
	GENERAL FUND	SCHOOL LUNCH FUND	TITLE II - IMPROVE TEACHER QUALITY FUND	IDEA - PART B FUND	THREE MILL CAPITAL PROJECT FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENT FUNDS
REVENUES:									
Local Sources	$ 5,688,823	$ 366,241	$ -0-	$ -0-	$ 10,160	$ 523,134	$ 7,865	$ 1,634,086	$ 8,230,309
State Sources	11,833,257	5,504	-0-	-0-	-0-	-0-	304,362	547,684	12,690,807
Federal Sources	239,402	750,570	163,082	626,875	-0-	-0-	-0-	570,658	2,350,587
Total Revenues	17,761,482	1,122,315	163,082	626,875	10,160	523,134	312,227	2,752,428	23,271,703
EXPENDITURES:									
Instruction	10,774,497	-0-	89,566	284,407	-0-	-0-	-0-	1,802,068	12,950,538
Support Services	5,792,313	94,525	45,855	340,145	251,657	-0-	-0-	850,356	7,374,851
Noninstructional Services	-0-	1,045,669	-0-	-0-	-0-	-0-	-0-	-0-	1,045,669
Facilities Acquisition and Construction	-0-	-0-	-0-	-0-	14,146	-0-	-0-	33,985	48,131
Debt Service:									
Principal	91,517	-0-	-0-	-0-	-0-	365,000	230,000	685,000	1,371,517
Interest	9,113	-0-	-0-	-0-	-0-	141,680	48,747	497,223	696,763
Other	-0-	-0-	-0-	-0-	3,285	1,940	550	4,357	10,132
Total Expenditures	16,667,440	1,140,194	135,421	624,552	269,088	508,620	279,297	3,872,989	23,497,601
Excess (Deficiency) of Revenues Over Expenditures	1,094,042	(17,879)	27,661	2,323	(258,928)	14,514	32,930	(1,120,561)	(225,898

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - EXHIBIT D
For the Year Ended June 30, 2008

MAJOR FUNDS

	GENERAL FUND	SCHOOL LUNCH FUND	TITLE II - IMPROVE TEACHER QUALITY FUND	IDEA - PART B FUND	THREE MILL CAPITAL PROJECT FUND	DEBT SERVICE SERIES 2002 BOND ISSUE FUND	DEBT SERVICE MAEP RETIREMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENT FUNDS
OTHER FINANCING SOURCES (USES)									
Proceeds of Loans	$ -0-	$ -0-	$ -0-	$ -0-	$ 750,000	$ -0-	$ -0-	$ -0-	$ 750,000
Insurance Loss Recoveries	4,004	-0-	-0-	-0-	-0-	-0-	-0-	-0-	4,004
Operating Transfers In	2,323	-0-	-0-	-0-	-0-	-0-	-0-	1,132,849	1,135,172
Operating Transfers Out	(1,055,110)	-0-	(27,661)	(2,323)	-0-	(50,078)	-0-	-0-	(1,135,172
Total Other Financing Sources (Uses)	(1,048,783)	-0-	(27,661)	(2,323)	750,000	(50,078)	-0-	1,132,849	754,004
Net Change in Fund Balances	45,259	(17,879)	-0-	-0-	491,072	(35,564)	32,930	12,288	528,106
FUND BALANCES:									
July 1, 2007	1,329,692	25,033	-0-	-0-	294,514	542,666	501,136	940,954	3,633,995
Prior Period Adjustment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	21,183	21,183
July 1, 2007, as Restated	1,329,692	25,033	-0-	-0-	294,514	542,666	501,136	962,137	3,655,178
Decrease in Reserve for Inventory	-0-	(2,105)	-0-	-0-	-0-	-0-	-0-	-0-	(2,105
June 30, 2008	1,374,951	5,049	-0-	-0-	785,586	507,102	534,066	974,425	4,181,179

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

LAFAYETTE COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - EXHIBIT D-1
For the Year Ended June 30, 2008

Net Change in Fund Balances - Governmental Funds	$ 528,106
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Government Funds Report Capital Outlays as Expenditures while Governmental Activities Report Depreciation to Allocate Those Expenditures over the Life of the Assets. Capital Assets Purchased Amounted to $282,077 and the Depreciation Expense Amounted to $769,930	(487,853)
Gains and Losses on the Sale or Disposal of Assets are not Reported in the Governmental Funds, but are Reported in the Statement of Activities, Net of Proceeds.	
Loss on Retirement of Capital Assets	(3,558)
The Issuance of Long-Term Debt Provides Current Financial Resources to Governmental Funds, but the Issuance Increases Long-Term Liabilities in the Statement of Net Assets.	(750,000)
Repayment of Debt Principal is an Expenditure in the Governmental Funds, but the Repayment Reduces Long-Term Liabilities in the Statement of Net Assets.	1,371,517
Governmental Funds Recognize Interest on Long-Term Debt When it Becomes Due, However, the Statement of Activities Recognizes Interest as it Accrues Regardless of When it Becomes Due.	
Decrease in Accrued Interest on Bonds	11,157
Expenses in the Statement of Activities not Normally Paid with Expendable Available Financial Resources are not Reported as Expenditures in the Governmental Funds:	
Compensated Absences	(47,913)
Amortization of Deferred Charges	(6,144)
Increase (Decrease) in the Inventory is Reported as an Adjustment To Fund Balance in the Governmental Funds, but Noninstructional Expenditures are (Increased) Decreased in the Statement of Activities.	(2,105)
Adjustment Affecting Prior Periods	21,183
Change in Net Assets (Exhibit B)	$ 634,390

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

LAFAYETTE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - EXHIBIT E
June 30, 2008

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 981,321
Total Assets	$ 981,321
LIABILITIES	
Accounts Payable and Accrued Liabilities	$ 877,871
Due to Other Funds	76,210
Due to Student Clubs	27,240
Total Liabilities	$ 981,321

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

(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.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government". The school district is governed by a five (5) member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, Lafayette County School District has included all funds and organizations. The district has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

School Lunch Fund - The school lunch fund is used to account for food distribution, the school breakfast program and the national school lunch program.

Title II-Improve Teacher Quality Fund - This fund is used to account for the proceeds of Title II funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

IDEA-Part B Fund - This fund is used to account for the proceeds of funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

Three Mill Capital Project Fund - This fund is used to account for the proceeds of the three mill borrowing which are to be expended on capital assets.

Series 2002 Bond Issue Fund - This fund is used to accumulate funds for the payment of principal, interest and other fees of the Series 2002 bond issue.

MAEP Retirement Fund - This fund is used to account for transactions by the fiscal agent, Hancock Bank, for the district. It involves the payment of debt under the MAEP bond issue as well as investment of any surplus funds.

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

The fiduciary funds include the following:

Payroll Clearing - This account is used to clear all payroll checks.

Activity Agency Funds - Funds belonging to student clubs are kept in these accounts.

Accounts Payable Clearing - This account is used to clear all accounts payable checks of the District.

Insurance Clearing Fund-State Life and Health - These accounts are used to clear all payment to state for employee insurance.

Worker's Compensation Clearing - This fund is used to accumulate monthly liability for worker's compensation and to make the quarterly payment for the insurance.

Retirement and Payroll Tax Clearing - This fund is used to make the electronic payments for federal and state taxes and retirement benefits.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS TYPES:

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

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

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

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

FIDUCIARY FUNDS

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

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 recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measureable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

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

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of interfund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program Revenues are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities and Net Assets or Equity.

1. Cash, Cash Equivalents and Investments.

Cash and Cash Equivalents.

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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.

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 an original maturity greater than 3 months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and Payables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments.

Due from other governments represents amounts due from the State of Mississippi, and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items.

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

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

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

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the statement of net assets because their use is limited by applicable debt statues. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statue for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded as historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the following table and estimated useful lives in excess of two years.

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.

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

	CAPITALIZATION POLICY	ESTIMATED USEFUL LIFE
Land	$ -0-	-0-
Buildings	50,000	40 years
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 5 for details.

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6. For details.

9. Fund Equity.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

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

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

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

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

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

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

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

(2) Cash and Cash Equivalents and Investments.

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

Deposits.

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

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 deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end 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), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $3,127,370 and $981,321, respectively. The carrying amounts of deposits reported in the government-wide statements was: Cash and cash equivalents $3,127,370. The bank balance was $4,603,930.

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, 2008, $27,331 of the district's bank balance of $4,603,930 was exposed to custodial credit risk.

Restricted Asset Investments.

As of June 30, 2008, the district had the following investments.

Investment Type	Maturities (in years)	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than 1	$ 381,885	A
Total Investments		$ 381,885	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Concentration of Credit Risk. Disclosure 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.

(3) Interfund Receivables, Payables, and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General Fund	Title II-Improve Teacher Quality	$ 36,890
	IDEA-Part B	38,766
	Three Mill Capital Project Fund	8,474
	Other Governmental Funds	45,594
	Fiduciary Funds	69,455
IDEA-Part B	Fiduciary Funds	1,575
Other Governmental Funds	Three Mill Capital Projects	8,838
	Fiduciary Funds	5,180
Total		$ 214,772

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances should be paid within three months.

B. Advances To/From Other Funds:

RECEIVABLE FUND	PAYABLE FUND	AMOUNT
General Fund	School Lunch Fund	$ 72,353

The district loaned the School Lunch Fund money over several years from the general district maintenance fund to assist the lunch fund to meet its expenditures. The School Lunch Fund is to repay the amount as excess funds become available.

C. Interfund Transfers.

TRANSFER OUT	TRANSFER IN	AMOUNT
General Fund	Other Governmental Funds	$ 1,055,110
Title II-Improve Teacher Quality	Other Governmental Funds	27,661
IDEA-Part B	General Fund	2,323
Series 2002 Bond Issue	Other Governmental Funds	50,078
Total		$ 1,135,172

Transfers are used to (1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve amounts, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

(4) Restricted Assets.

The restricted assets represents the investment balance, totaling $381,885 of the MAEP Limited Obligation Bond/Note Fund.

(5) Capital Assets.

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

	BALANCE 7-1-07	ADDITIONS	RETIREMENTS	COMPLETED CONSTRUCTION	ADJUSTMENTS	BALANCE 6-30-08
Non-depreciable Capital Assets:						
Land	$ 436,877	$	$	$	$	$ 436,877
Construction in Progress	9,841,999	12,803		(9,854,802)		
Total Non-depreciable Capital Assets	10,278,876	12,803		(9,854,802)		436,877
Depreciable Capital Assets:						
Buildings	12,499,985			7,213,521		19,713,506
Building Improvements	2,281,368					2,281,368
Improvements Other Than Buildings	83,305			2,641,281		2,724,586
Mobile Equipment	2,422,242	257,657				2,679,899
Furniture and Equipment	649,573	11,617	(16,494)			644,696
Total Depreciable Capital Assets	17,936,473	269,274	(16,494)	9,854,802		28,044,055
Less Accumulated Depreciation for:						
Buildings	3,181,677	382,470				3,564,147
Building Improvements	182,509	91,255				273,764
Improvements Other Than Buildings	16,469	108,983				125,452
Mobile Equipment	1,555,123	146,928				1,702,051
Furniture and Equipment	470,722	40,294	12,936			498,080
Total Accumulated Depreciation	5,406,500	769,930	12,936			6,163,494
Total Depreciable Capital Assets, Net	12,529,973	(500,656)	(3,558)	9,854,802		21,880,561
Governmental Activities Capital Assets, Net	$22,808,849	$ (487,853)	$ (3,558)	$ -0-	$	$22,317,438

Depreciation expense was charged to the following governmental functions:

	AMOUNT
Instruction	$ 340,367
Support Services	419,772
Non-Instructional	9,791
Total Depreciation Expense	$ 769,930

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

(6) Long-Term Liabilities.

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

	BALANCE 7-1-07	ADDITIONS	REDUCTIONS	ADJUSTMENTS	BALANCE 6-30-08	AMOUNTS DUE WITHIN ONE YEAR
A. General Obligation Bonds Payable	$ 16,005,000	$	$ 795,000	$	$ 15,210,000	$ 845,000
B. Limited Obligation Bonds Payable	1,250,000		230,000		1,020,000	240,000
C. Three-mill Notes Payable	255,000	750,000	255,000		750,000	245,000
D. Obligations Under Energy Efficiency Lease	212,633		91,517		121,116	96,275
E. Compensated Absences Payable	192,821	47,913	-0-		240,734	-0-
Total	$ 17,915,454	$ 797,913	$ 1,371,517	$	$ 17,341,850	$ 1,426,275

A. General Obligation Bonds Payable.

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

DESCRIPTION	INTEREST RATE	ISSUE DATE	MATURITY DATE	AMOUNTS ISSUED	AMOUNTS OUTSTANDING
General Obligation Bonds:					
Series 2002, Refunding	Various	11/21/02	10/1/15	$ 5,320,000	$ 3,560,000
Series 2004	Various	8/15/04	8/15/21	6,500,000	6,040,000
Series 2005	Various	6/1/05	4/15/20	6,400,000	5,610,000
Total				$18,220,000	$15,210,000

Details of the District's June 30, 2008, general obligation bonded indebtedness are as follows:

1. SERIES 2002 (REFUNDING):

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 380,000	$ 130,585	$ 510,585
2010	400,000	117,900	517,900
2011	415,000	103,626	518,626
2012	435,000	87,896	522,896
2013	455,000	70,868	525,868
2014-2016	1,475,000	95,867	1,570,867
Totals	$ 3,560,000	$ 606,742	$ 4,166,742

This debt will be retired from the Series 2002 Debt Service Fund.

2. SERIES 2004:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 180,000	$ 245,432	$ 425,432
2010	200,000	235,457	435,457
2011	260,000	224,748	484,748
2012	260,000	214,413	474,413
2013	265,000	204,569	469,569
2014-2018	2,225,000	807,681	3,032,681
2019-2022	2,650,000	234,669	2,884,669
Totals	$ 6,040,000	$ 2,166,969	$ 8,206,969

This debt will be retired from the Series 2004 Debt Service Fund.

3. SERIES 2005:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 285,000	$ 219,960	$ 504,960
2010	255,000	206,280	461,280
2011	285,000	194,040	479,040
2012	315,000	180,360	495,360
2013	265,000	165,240	430,240
2014-2018	2,665,000	625,409	3,290,409
2019-2020	1,540,000	88,125	1,628,125
Totals	$ 5,610,000	$ 1,679,414	$ 7,289,414

This debt will be retired from the Series 2005 Debt Service Fund.

Total general obligation bond payments for all issues:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 845,000	$ 595,977	$ 1,440,977
2010	855,000	559,637	1,414,637
2011	960,000	522,414	1,482,414
2012	1,010,000	482,669	1,492,669
2013	985,000	440,676	1,425,676
2014-2018	6,365,000	1,528,958	7,893,958
2019-2022	4,190,000	322,794	4,512,794
Totals	$15,210,000	$ 4,453,125	$19,663,125

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. The Lafayette School District may, however, have an outstanding bonded indebtedness amount not to exceed 20% according to Section 37-59-7, Miss. Code Ann. (1972), since more than 9% of the total land area of the district is owned by the federal government and situated in a flood control reservoir or maintained as a part of the national forest system. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 2007. This debt will be retired from the Series 2002, Series 2004, Series 2005 bond funds, respectively.

B. Limited Obligation Bonds Payable.

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

DESCRIPTION	INTEREST RATE	ISSUE DATE	MATURITY DATE	AMOUNTS ISSUED	AMOUNTS OUTSTANDING
State Aid Capital Improvement-Series 1998	Varies	4/22/98	8/1/11	$ 2,475,000	$ 1,020,000
Total				$ 2,475,000	$ 1,020,000

Details of the District's June 30, 2008, limited obligation bonds indebtedness is as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 240,000	$ 38,700	$ 278,700
2010	250,000	28,165	278,165
2011	260,000	17,200	277,200
2012	270,000	5,805	275,805
Totals	$ 1,020,000	$ 89,870	$ 1,109,870

This debt will be retired from the MAEP Retirement Fund.

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

C. Three mill Notes Payable.

Debt currently outstanding is as follows:

DESCRIPTION	INTEREST RATE	ISSUE DATE	MATURITY DATE	AMOUNTS ISSUED	AMOUNTS OUTSTANDING
Limited Tax Notes Series 2008	3.388%	6/15/08	6/15/11	$ 750,000	$ 750,000
Total				$ 750,000	$ 750,000

Details of the District's June 30, 2008, three mill note payable is as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 245,000	$ 25,651	$ 270,651
2010	250,000	17,344	267,344
2011	255,000	8,874	263,874
Totals	$ 750,000	$ 51,869	$ 801,869

This debt will be retired from the Three Mill Fund.

D. Obligations Under Energy Efficiency Lease.

Debt currently outstanding is as follows:

DESCRIPTION	INTEREST RATE	ISSUE DATE	MATURITY DATE	AMOUNTS ISSUED	AMOUNTS OUTSTANDING
Energy Lease	5.10%	7/30/99	7/30/09	$ 784,431	$ 121,116
Total				$ 784,431	$ 121,116

Details of the District's June 30, 2008, energy efficiency lease payable are as follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2009	$ 96,275	$ 4,355	$ 100,630
2010	24,841	317	25,158
Totals	$ 121,116	$ 4,672	$ 125,788

This debt will be retired from the District's Maintenance Fund.

An energy efficiency lease agreement dated July 30, 1999, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of $784,451 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not to exceed ten (10) years.

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

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

E. Compensated Absences Payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were $1,462,814, $1,285,960 and $1,162,100, respectively, which equaled the required contributions for each year.

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit D-Statement of Revenues, Expenditures and Changes in Fund Balances

MAJOR FUNDS	EXPLANATION(S)	AMOUNT
Other Governmental Funds	During year ending 6-30-08, the school District settled a disputed construction payable amount for less than originally recorded.	$ 21,183
	TOTAL	$ 21,183

(9) Contingencies.

Federal Grants.

The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation.

The school district is not involved in any litigation.

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess 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.

(11) Deferred Amount on Refunding.

On December 1, 2002, the district defeased its 1995 General Obligation Bonds with the issuance of 2002 General Obligation Refunding Bonds. The issuance cost of $89,396 is being amortized over a period of 154 months of $580 a month.

(12) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated September 28, 1971, creating the Oxford-Lafayette County Vocational-Technical Center which has been renamed the Oxford-Lafayette County School of Applied Technology. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Oxford School District and Lafayette County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Lafayette County School District has been designated as the fiscal agent for the Oxford-Lafayette Co. School of Applied Technology, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Oxford-Lafayette Co. School of Applied Technology.

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
- Continued -

Statement of Revenues, Expenditures and Changes in Fund Balance-
Governmental Funds
Oxford-Lafayette Co. School of Applied Technology
For the Year ended June 30, 2008

Revenues	
Local Sources	
Tuition from Other LEA's Within the State:	
Oxford School District	$ 240,000
Lafayette County School District	240,000
Total Tuition from Other LEA's Within the State	480,000
Interest	9,178
Fees	4,655
Miscellaneous	924
Total Local Sources	14,757
State Sources	489,547
Federal Sources	48,946
Total Revenues	1,033,250
Expenditures	
Salaries	666,242
Employee Benefits	187,040
Purchased Property Services	89,133
Other Purchased Services	30,639
Supplies	64,967
Property	29,410
Other	233
Total Expenditures	1,067,664
Excess (Deficiency) of Revenues Over Expenditures	(34,414)
Fund Balance	
July 1, 2007	306,687
June 30, 2008	$ 272,273

LAFAYETTE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	(GAAP BASIS)	ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Local Sources	$ 5,722,097	$ 5,688,823	$ 5,688,823	$ (33,274)	$ -0-
State Sources	12,240,551	11,833,257	11,833,257	(407,294)	-0-
Federal Sources	228,056	239,402	239,402	11,346	-0-
Total Revenues	18,190,704	17,761,482	17,761,482	(429,222)	-0-
EXPENDITURES:					
Instruction	10,948,705	10,774,127	10,774,497	174,578	(370)
Support Services	6,189,103	5,792,313	5,792,313	396,790	-0-
Non-Instructional Services	-0-	-0-	-0-	-0-	-0-
Facilities Acquisition & Construction	-0-	-0-	-0-	-0-	-0-
Debt Service:					
Principal	91,517	91,517	91,517	-0-	-0-
Interest	9,113	9,113	9,113	-0-	-0-
Total Expenditures	17,238,438	16,667,070	16,667,440	571,368	(370)
Excess (Deficiency) of Revenues Over Expenditures	952,266	1,094,412	1,094,042	142,146	(370)
OTHER FINANCING SOURCES (USES)					
Insurance Loss Recoveries	-0-	4,004	4,004	4,004	-0-
Operating Transfers In	1,669,856	1,675,736	2,323	5,880	(1,673,413)
Operating Transfers Out	(2,697,362)	(2,728,893)	(1,055,110)	(31,531)	1,673,783
Total Other Financing Sources (Uses)	(1,027,506)	(1,049,153)	(1,048,783)	(21,647)	370
Net Change in Fund Balances	(75,240)	45,259	45,259	120,499	-0-
FUND BALANCES					
July 1, 2007	1,329,692	1,329,692	1,329,692	-0-	-0-
June 30, 2008	$ 1,254,452	$ 1,374,951	$ 1,374,951	$ 120,499	$ -0-

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

LAFAYETTE COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL LUNCH FUND

For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	(GAAP BASIS)	ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Local Sources	$ 344,174	$ 366,241	$ 366,241	$ 22,067	$ -0-
State Sources	5,785	5,504	5,504	(281)	-0-
Federal Sources	724,328	750,570	750,570	26,242	-0-
Total Revenues	1,074,287	1,122,315	1,122,315	48,028	-0-
EXPENDITURES:					
Support Services	93,198	94,525	94,525	(1,327)	-0-
Non-Instructional Services	984,338	1,045,669	1,045,669	(61,331)	-0-
Total Expenditures	1,077,536	1,140,194	1 140,194	(62,658)	-0-
Excess (Deficiency) of Revenues Over Expenditures	(3,249)	(17,879)	(17,879)	(14,630)	-0-
Net Change in Fund Balances	(3,249)	(17,879)	(17,879)	(14,630)	-0-
FUND BALANCES					
July 1, 2007	25,033	25,033	25,033	-0-	-0-
Increase (Decrease) in Reserve for Inventory	-0-	-0-	(2,105)	-0-	(2,105)
June 30, 2008	$ 21,784	$ 7,154	$ 5,049	$ (14,630)	$ (2,105)

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

LAFAYETTE COUNTY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE TITLE II-IMPROVE TEACHER QUALITY FUND

For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	(GAAP BASIS)	ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Federal Sources	$ 203,271	$ 163,082	$ 163,082	$ (40,189)	$ -0-
Total Revenues	203,271	163,082	163,082	(40,189)	-0-
EXPENDITURES:					
Instruction	89,883	89,566	89,566	317	-0-
Support Services	108,423	45,855	45,855	62,568	-0-
Non-Instructional Services	-0-	-0-	-0-	-0-	-0-
Total Expenditures	198,306	135,421	135,421	62,885	-0-
Excess (Deficiency) of Revenues Over Expenditures	4,965	27,661	27,661	22,696	-0-
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	(4,965)	(27,661)	(27,661)	(22,696)	-0-
Total Other Financing Sources (Uses)	(4,965)	(27,661)	(27,661)	(22,696)	-0-
Net Change in Fund Balances	-0-	-0-	-0-	-0-	-0-
FUND BALANCES					
July 1, 2007	-0-	-0-	-0-	-0-	-0-
June 30, 2008	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

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

LAFAYETTE COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE IDEA-PART B FUND
For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	(GAAP BASIS)	ORIGINAL TO FINAL	FINAL TO ACTUAL
REVENUES:					
Federal Sources	$ 733,076	$ 626,875	$ 626,875	$ (106,201)	$ -0-
Total Revenues	733,076	626,875	626,875	(106,201)	-0-
EXPENDITURES:					
Instruction	371,721	284,407	284,407	87,314	-0-
Support Services	359,031	340,145	340,145	18,886	-0-
Total Expenditures	730,752	624,552	624,552	106,200	-0-
Excess (Deficiency) of Revenues Over Expenditures	2,324	2,323	2,323	(1)	-0-
OTHER FINANCING SOURCES (USES)					
Operating Transfers Out	(2,324)	(2,323)	(2,323)	1	-0-
Total Other Financing Sources (Uses)	(2,324)	(2,323)	(2,323)	1	-0-
Net Change in Fund Balances	-0-	-0-	-0-	-0-	-0-
FUND BALANCES					
July 1, 2007	-0-	-0-	-0-	-0-	-0-
June 30, 2008	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

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

LAFAYETTE COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

LAFAYETTE COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	FEDERAL EXPENDITURES
U. S. DEPARTMENT OF AGRICULTURE		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	$ 190,236
National School Lunch Program	10.555	560,334
Total Child Nutrition Cluster		750,570
Total U.S. Department of Agriculture		750,570
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	55,397
Total U. S. Department of Defense		55,397
FEDERAL COMMUNICATIONS COMMISSION		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	16,738
Total Federal Communications Commission		16,738
U. S. DEPARTMENT OF EDUCATION		
Passed-through Mississippi Department of Education:		
Title I-Grants to Local Educational Agencies	84.010	417,528
Career and Technical Education-Basic Grants to States	84.048	48,946
Safe and Drug-free Schools and Communities-State Grants	84.186	10,241
Education for Homeless Children and Youth	84.196	50,549
State Grants for Innovative Programs	84.298	3,486
Education Technology State Grants	84.318	4,235
English Language Acquisition Grants	84.365	4,987
Improving Teacher Quality State Grants	84.367	163,082
Grants for State Assessments and Related Activities	84.369	383
Total		$ 703,437

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
- Continued -

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	FEDERAL EXPENDITURES
U. S. DEPARTMENT OF EDUCATION - Continued		
Special Education Cluster:		
Special Education - Grants to States	84.027	$ 644,456
Special Education - Preschool Grants	84.173	13,104
Total Special Education Cluster		657,560
Total Passed-Through Mississippi Department of Education		1,360,997
Total U.S. Department of Education		1,360,997
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	38,781
Total Passed-through Mississippi Department of Education		38,781
Total U.S. Department of Health and Human Services		38,781
Total for All Federal Awards		$ 2,222,483

Notes to Schedule

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

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND
OTHER EXPENDITURES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

EXPENDITURES	TOTAL	INSTRUCTIONAL & OTHER STUDENT INSTRUCTIONAL EXPENDITURES	GENERAL ADMINISTRATIVE	SCHOOL ADMINISTRATION	OTHER
Salaries and Fringe Benefits	$ 16,735,366	$ 13,279,580	$ 645,210	$ 1,203,228	$ 1,607,348
Other	6,762,235	1,832,276	91,968	110,070	4,727,921
Total	$ 23,497,601	$ 15,111,856	$ 737,178	$ 1,313,298	$ 6,335,269
Total Number of Students *	2,422				
Cost per Student	$ 9,702	$ 6,239	$ 304	$ 542	$ 2,617

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

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

General Administration - includes expenditures for the following functions: Support Services - General Administrative (2300s); 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.

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

LAFAYETTE COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

LAFAYETTE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

Last Four Years

	UNAUDITED			
	2008	2007*	2006*	2005*
REVENUES:				
Local Sources	$ 5,688,823	$ 5,557,967	$ 5,203,070	$ 4,754,074
State Sources	11,833,257	10,645,811	9,908,966	8,911,727
Federal Sources	239,402	319,262	255,191	167,237
Total Revenues	17,761,482	16,523,040	15,367,227	13,833,038
EXPENDITURES:				
Instruction	10,774,497	10,000,187	8,983,132	8,240,894
Support Services	5,792,313	5,749,049	5,040,085	4,797,957
Facilities Acquisition & Construction	-0-	42,036	16,564	-0-
Debt Service:				
Principal	91,517	86,996	82,696	78,610
Interest	9,113	13,634	17,934	22,020
Total Expenditures	16,667,440	15,891,902	14,140,411	13,139,481
Excess (Deficiency) of Revenues Over Expenditures	1,094,042	631,138	1,226,816	693,557
OTHER FINANCING SOURCES (USES)				
Insurance Loss Recoveries	4,004	107,642	9,484	8,602
Sale of Transportation Equipment	-0-	213	421	-0-
Sale of Other Property	-0-	-0-	-0-	800
Operating Transfers In	2,323	7,879	33,773	1,734,007
Operating Transfers Out	(1,055,110)	(924,663)	(933,599)	(2,502,220)
Total Other Financing Sources (Uses)	(1,048,783)	(808,929)	(889,921)	(758,811)
Net Change in Fund Balance	45,259	(177,791)	336,895	(65,254)
FUND BALANCES				
July 1	1,329,692	1,507,483	1,138,778	1,204,032
Prior Period Adjustments	-0-	-0-	31,810	-0-
July 1 as Restated	1,329,692	1,507,483	1,170,588	1,204,032
June 30	$ 1,374,951	$ 1,329,692	$ 1,507,483	$ 1,138,778

*Source - Prior Year Audit Reports

LAFAYETTE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUNDS

Last Four Years

	UNAUDITED			
	2008	2007*	2006*	2005*
REVENUES:				
Local Sources	$ 8,230,309	$ 8,091,043	$ 7,714,707	$ 6,489,287
State Sources	12,690,807	11,468,348	10,681,728	9,693,661
Federal Sources	2,350,587	2,310,889	2,257,338	2,019,016
Total Revenues	23,271,703	21,870,280	20,653,773	18,201,964
EXPENDITURES:				
Instruction	12,950,538	12,150,571	11,131,074	10,195,398
Support Services	7,374,851	6,894,209	6,345,260	5,894,443
Non-Instructional Services	1,045,669	1,010,950	962,890	900,980
Facilities Acquisition & Construction	48,131	998,789	8,041,982	4,109,138
Debt Service:				
Principal	1,371,517	1,309,996	1,264,696	613,610
Interest	696,763	737,237	887,489	265,009
Other	10,132	6,997	78,150	45,102
Total Expenditures	23,497,601	23,108,749	28,711,541	22,023,680
Excess (Deficiency) of Revenues Over Expenditures	(225,898)	(1,238,469)	(8,057,768)	(3,821,716)
OTHER FINANCING SOURCES (USES)				
Proceeds of General Obligation Bonds	-0-	-0-	-0-	12,900,000
Proceeds of Loans	750,000	255,000	450,000	-0-
Insurance Loss Recoveries	4,004	107,642	9,484	8,602
Sale of Transportation Equipment	-0-	213	421	1,000
Sale of Other Property	-0-	-0-	-0-	13,296
Operating Transfers In	1,135,172	1,129,448	1,050,502	2,681,606
Operating Transfers Out	(1,135,172)	(1,129,448)	(1,050,502)	(2,681,606)
Total Other Financing Sources (Uses)	754,004	362,855	459,905	12,922,898
Net Change in Fund Balance	528,106	(875,614)	(7,597,863)	9,101,182
FUND BALANCES				
July 1	3,633,995	4,498,208	12,059,176	2,954,811
Prior Period Adjustments	21,183	-0-	50,000	-0-
July 1 as Restated	3,655,178	4,498,208	12,109,176	2,954,811
Increase (Decrease) in Reserve for Inventory	(2,105)	11,401	(13,105)	3,183
June 30	$ 4,181,179	$ 3,633,995	$ 4,498,208	$ 12,059,176

*Source - Prior Year Audit Reports

LAFAYETTE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Dwight L. Young, Sr., C.P.A.
1918 - 1977
Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.

The Dwight L. Young Group
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Superintendent and School Board
Lafayette County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2008, which collectively comprise the Lafayette County School District's basic financial statements and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance

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with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above in Finding 2008-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of the school district in a separate letter dated October 27, 2009, which is included in this report.

Lafayette County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Lafayette County School District's response and, accordingly, we express no opinion on it.

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

The Dwight L. Young Group

October 27, 2009

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

Superintendent and School Board
Lafayette County School District

Compliance

We have audited the compliance of the Lafayette County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The Lafayette County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Lafayette County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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Internal Control Over Compliance

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

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 combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

The Dwight L. Young Group

October 27, 2009

LAFAYETTE COUNTY SCHOOL DISTRICT

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

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

Superintendent and School Board
Lafayette County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lafayette County School District as of and for the year ended June 30, 2008, which collectively comprise Lafayette County School District's basic financial statements and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $8,120 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

State Code Section 37-9-18 requires that the superintendent of education furnish to the school board a financial statement of receipts and disbursements, by fund, on or before the last working day of the following month covering the prior month.

Finding No. 1

The District is responsible for complying with reporting as required in State Code Section 37-9-18.

During our test on state legal compliance with regard to financial statements, we noted the following:

1. An examination of the minutes of the board of education for fiscal year 2007-2008, found no reference of district financial statements being presented and accepted for the months of August, February, March, April, and May. Activity fund financial reports were referenced as being presented and accepted.

Recommendation

We recommend that the district file a financial report of receipts and disbursements by fund as required by State Code Section 37-9-18.

School District's Response

The District will present a financial report of receipts and disbursements as required by State Code Section 37-9-18. The presentation will be duly noted and spread upon the minutes of board.

State Code Section 37-61-21(2) requires that each school prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require on or before October 15 of each year. The State Board of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.

Finding No. 2

The District is responsible for complying with Section 37-57-107. The District escrowed $22,582.18; however, the amount was miscalculated by $2,402.00. The amount was adjusted on the audit report.

Recommendation

We recommend that the District prepare the escrow calculation for the operating fund.

School District's Response

The District will prepare the escrow calculation.

The Office of the State Auditor, or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

Lafayette County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

The Dwight L. Young Group

October 27, 2009

LAFAYETTE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

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?	Yes
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	No

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	No
6.	Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	No
7.	Federal programs identified as major programs:	
	a. Child Nutrition Cluster: CFDA #10.553 CFDA #10.555	
	b. Special Education Cluster: CFDA #84.027 CFDA #84.173	
	c. Title I-Grants to Local Education Agencies: 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.	No
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133?	Yes

LAFAYETTE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

Section 2: Financial Statement Findings

Reportable Condition Considered to be Material Weakness

08-01 Finding

The District is responsible for following state purchasing law in regard to single source items. Mississippi Code Annotated, (1972) Section 31-7-13(m)(viii) provides for the purchase of noncompetitive items available from one source. In connection with the purchase of noncompetitive items only available from one source, a certification of the conditions and circumstances requiring the purchase shall be filed by the governing authority with the board of the governing authority. Upon receipt of that certification, the board may in writing authorize the purchase, which authority shall be noted on the minutes of the board at the next regular meeting thereafter.

During a random sample test of forty purchase orders for compliance with state purchasing laws, we noted the following violation:

1. On October 2, 2007, the District paid purchase order 61513 in the amount of $9,024.84 for an item designated as a single source. The district did not certify to the board of education the need for the purchase and did not receive board authorization of the purchase. No mention of a single source purchase was found in the minutes of the board of education.

Recommendation

We recommend management comply with the state laws regarding purchases from single sources.

Section 3: Federal Award Findings and Questioned Costs

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

LAFAYETTE COUNTY SCHOOL DISTRICT

OFFICE OF THE SUPERINTENDENT
(662) 234-3271
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Financial & Compliance Audit Division

As required by Section___.315(c) of OMB Circular A-133 the Lafayette County School District has prepared and hereby submits the following corrective action plan for the findings included in the schedule of Findings and Questioned Costs for the year ended June 30, 2008:

Finding	Corrective Action Plan details
08-01	a. Debra Jennings, Purchasing Agent (662-234-3271)
	b. The Lafayette County School District has amended purchasing procedures to comply with the State of Mississippi purchasing laws regarding single-source purchases. Specifically, we will ensure that single-source purchases are approved by the Board of Education and that the minutes of all meetings will clearly state such approvals. In addition, the Board of Education will formally recognize, in the form of a resolution, such purchases as being "single-source".
	c. Immediately

Regards,

Bryan White, CPA

Bryan White, CPA

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