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PETAL SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

PETAL SCHOOL DISTRICT

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

June 27, 2006

Superintendent and School Board
Petal School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Petal School District as of and for the year ended June 30, 2005, which collectively comprise the Petal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Petal 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 Petal School District, as of June 30, 2005, 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 June 27, 2006, on our consideration of the Petal School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (3) through (9) and the Budgetary Comparison Schedule and corresponding notes on pages (34) through (36) 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 Petal School District's basic financial statements. The 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.

McDaniel CPA Firm

MANAGEMENT'S DISCUSSION AND ANALYSIS

PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Petal School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The District is governed by the Board of Education that consists of five members. The Board has responsibility for setting policies for operation of the District and has full control of the distribution, allotment and disbursement of all revenues provided for its support and operation.

In addition, the Board is responsible for organizing the schools of the District; introducing special subjects for instruction; serving as custodian of school property; erecting, repairing and equipping school facilities and improvements; maintaining pupil discipline; carrying out public health programs such as vaccination requirements; regulating use of the schools by the public; prescribing rules and regulations for its own government and government of the schools; maintaining and operating the schools under its control for the time required by law; enforcing in the schools the courses of study and use of textbooks prescribed by law; making orders directed to the superintendent for the issuance of pay certificates for lawful purposes on any available funds of the District; providing and regulating athletic programs and other school activities; and performing other duties prescribed by law.

The District operated two elementary schools, one middle school, one high school and one parenting center.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$ 2,203,121.
- General revenues account for \$ 21,587,143 in revenue. Program specific revenues in the form of charges for services and grants and contributions accounted for \$ 5,466,052.
- The District had \$ 24,850,074 in expenses; only \$ 5,466,052 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$ 21,587,143 were adequate to provide for these programs.
- Among major funds, the General Fund had \$ 21,217,643 in revenues and \$ 19,475,035 in expenditures. The General Fund's fund balance decreased \$ 285,725 from the prior year. Some of the decrease was due to transfers out to the Building Project fund.

PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

- Capital assets, net of accumulated depreciation, increased by \$ 1,102,502.
- Long-term debt decreased by \$ 503,170. The debt decreased due to the amount of principal paid.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 10 - 11 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

**PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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 13 and 15, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 12 – 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 16.

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 17 -33 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.

**PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 34 - 36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 37 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 \$ 18,207,005 as of June 30, 2005.

By far the largest portion of the District's net assets (59%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005.

Condensed Statement of Net Assets

	2005	2004	Total Percentage Change 2005-2004
Current Assets	9,089,193	8,752,355	3.85%
Capital Assets, Net	13,828,561	12,726,059	8.66%
Total Assets	<u>22,917,754</u>	<u>21,478,414</u>	<u>6.70%</u>
Current Liabilities	627,438	829,698	-24.38%
Long-term debt outstanding	4,083,311	4,610,651	-11.44%
Total Liabilities	<u>4,710,749</u>	<u>5,440,349</u>	<u>-13.41%</u>
Net Assets:			
Invested in capital assets, net of related debt	9,440,954	7,835,151	20.49%
Restricted	6,507,208	5,281,772	23.20%
Unrestricted	2,258,843	2,921,142	-22.67%
Total Net Assets	<u>18,207,005</u>	<u>16,038,065</u>	<u>13.52%</u>

**PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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

- The principal retirement of \$501,166 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2005 were \$ 27,053,195. The total cost of all programs and services was \$ 24,850,074. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>Changes in Net Assets</u>		Total Percentage Change 2005-2004
	<u>2005</u>	<u>2004</u>	
Revenues:			
Program Revenues	5,466,052	16,042,347	-65.93%
General Revenues	21,587,143	9,167,261	135.48%
Total Revenues	<u>27,053,195</u>	<u>25,209,608</u>	<u>7.31%</u>
Expenses			
Instruction	14,626,433	13,630,012	7.31%
Support Services	7,952,573	7,516,668	5.80%
Non-instructional	2,042,943	1,865,259	9.53%
Sixteenth Section	3,149	13,407	-76.51%
Interest in long-term liabilities	224,976	217,787	3.30%
Total Expenses	<u>24,850,074</u>	<u>23,243,133</u>	<u>6.91%</u>
 Increase in Net Assets	 <u>2,203,121</u>	 <u>1,966,475</u>	 <u>12.03%</u>

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

	<u>Net Cost of Governmental Activities</u>					
	<u>Total Expenses</u>		Total Percentage Change	<u>Net (Expense) Revenue</u>		Total Percentage Change
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>	
Instruction	14,626,433	13,630,012	7.31%	(12,322,375)	(4,563,615)	170.01%
Support Services	7,952,573	7,516,668	5.80%	(6,894,436)	(2,478,473)	178.17%
Non-instructional	2,042,943	1,865,259	9.53%	60,914	72,496	-15.98%
Sixteenth Section	3,149	13,407	-76.51%	(3,149)	(13,407)	-76.51%
Interest in long-term liabilities	224,976	217,787	3.30%	(224,976)	(217,787)	3.30%
Total	<u>24,850,074</u>	<u>23,243,133</u>		<u>(19,384,022)</u>	<u>(7,200,786)</u>	

**PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

- Net cost of governmental activities (\$ 19,384,022) was financed by general revenue, which is made up of primarily property taxes \$ 6,073,001 and state revenue \$ 14,885,423.

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 \$ 8,987,091, an increase of \$ 563,734 due primarily to an anticipated decrease or shortfall in state funding that did not occur.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$ 285,725 as a result of transfers out to the Building Project fund and other funds of the district.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$ 21,305,660, including school buildings, busses, other school vehicles and furniture and equipment. This

**PETAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

amount represents an increase of \$ 1,604,933 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$ 7,477,099 and total depreciation expense for the year was \$ 547,705, resulting in total net assets of \$ 13,828,561.

Additional information of the District's capital assets can be found in Note 4 in the Notes to the Financial Statements.

Debt Administration. At June 30, 2005, the District had other long-term debt outstanding, of \$ 4,608,647 of which \$ 525,336 is due within one year.

Additional information of the District's long-term debt can be found in Note 5 in the Notes to the Financial Statements.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Petal School District, P O Drawer 523, Petal, MS 39465

BASIC FINANCIAL STATEMENTS

PETAL SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets:	
Cash and cash equivalents (Note 2)	\$ 8,193,025
Cash with fiscal agents (Note 2)	107,169
Due from other governments	635,073
Inventories and prepaid items (Note 1)	113,020
Restricted assets	40,906
Capital assets, net (Note 4)	13,828,561
Total Assets	<u>22,917,754</u>
Liabilities:	
Accounts payable and accrued liabilities	35,524
Interest payable on long-term liabilities	66,578
Long-term liabilities (Due within one year):(Note 5)	
Capital related liabilities	467,027
Non-capital related liabilities	58,309
Long-term liabilities (Due beyond one year):(Note 5)	
Capital related liabilities	3,920,580
Non-capital related liabilities	162,731
Total Liabilities	<u>4,710,749</u>
Net Assets:	
Investments in capital assets (net of related debt)	9,440,954
Restricted net assets:	
Expendable:	
School-based activities	1,578,311
Debt service	293,177
Capital Improvements	4,143,267
Forestry improvements	32,177
Unemployment benefits	68,432
Non-expendable:	
Sixteenth section	391,844
Unrestricted	2,258,843
Total Net Assets	<u>18,207,005</u>
Total Liabilities and Net Assets	<u>\$ 22,917,754</u>

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

PETAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues			Charges For Services	Expenses	Net (Expense) Revenue and Changes in Net Assets
	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities			
Primary Government: Governmental Activities:						
Instruction		2,158,818	145,240	14,626,433	\$	(12,322,375)
Support Services	1,058,137			7,952,573		(6,894,436)
Non-instructional	1,368,395		735,462	2,042,943		60,914
Sixteenth section				3,149		(3,149)
Interest on long-term liabilities				224,976		(224,976)
Total governmental activities	4,585,350	-	880,702	24,850,074	\$	(19,384,022)

General Revenues:	
Taxes:	
General purpose levies	5,800,032
Debt purpose levies	272,969
Unrestricted grants and contributions:	
State	14,885,423
Federal	30,571
Unrestricted investment earnings	252,557
Sixteenth section sources	90,566
Other	255,025
Total General Revenues	21,587,143

Change in Net Assets	2,203,121
Net Assets - Beginning	16,038,065
Prior Period Adjustments	(34,181)
Net Assets - Restated	16,003,884
Net Assets - Ending	\$ 18,207,005

PETAL SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Building Project Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 2)	\$ 2,389,684	4,143,267	1,700,980	\$ 8,233,931
Cash with fiscal agents (Note 2)			107,169	107,169
Due from other government	250,654		317,843	568,497
Due from other funds (Note 3)	79,346		21,447	100,793
Advance to other funds (Note 3)			350,938	350,938
Inventories and prepaid items (Note 1)	71,248		41,772	113,020
Total Assets	<u>2,790,932</u>	<u>4,143,267</u>	<u>2,540,149</u>	<u>9,474,348</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	26,690		8,836	35,526
Due to other funds (Note 3)			100,793	100,793
Advances from other funds (Note 3)	350,938			350,938
Total Liabilities	<u>377,628</u>	<u>-</u>	<u>109,629</u>	<u>487,257</u>
Fund Balances:				
Reserved for:				
Advances			350,938	350,938
Inventory			41,772	41,772
Prepaid items	71,248			71,248
Debt service			293,177	293,177
Unemployment benefits			68,432	68,432
Forestry improvement purposes			32,177	32,177
Permanent fund purposes			391,844	391,844
Unreserved:				
Undesignated, reported in:				
General Fund	2,342,056			2,342,056
Special Revenue funds			1,252,180	1,252,180
Capital projects funds		4,143,267		4,143,267
Total Fund Balances	<u>2,413,304</u>	<u>4,143,267</u>	<u>2,430,520</u>	<u>8,987,091</u>
Total Liabilities and Fund Balances	<u>\$ 2,790,932</u>	<u>4,143,267</u>	<u>2,540,149</u>	<u>\$ 9,474,348</u>

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

PETAL SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 8,987,091
Amount 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, net of accumulated depreciation of \$ 7,477,099.	13,828,561
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(4,608,647)
Total net assets - governmental activities	<u>\$ 18,207,005</u>

PETAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Building Project Fund		
Revenues:				
Local sources	\$ 6,399,580		1,057,702	\$ 7,457,282
State sources	14,754,012		1,241,757	15,995,769
Federal sources	64,051		3,441,522	3,505,573
Sixteenth section sources			90,566	90,566
Total Revenues	21,217,643	-	5,831,547	27,049,190
Expenditures:				
Instruction	12,082,216	5,517	2,539,632	14,627,365
Support services	6,535,704	28,202	1,095,743	7,659,649
Noninstructional services	46,200		1,953,396	1,999,596
Sixteenth section			3,148	3,148
Facilities acquisition and construction	810,915	634,829		1,445,744
Debt service:				
Principal			501,166	501,166
Interest			231,174	231,174
Total Expenditures	19,475,035	668,548	6,324,259	26,467,842
Excess (deficiency) of revenues over expenditures	1,742,608	(668,548)	(492,712)	581,348
Other Financing Sources:				
Insurance loss recoveries	3,005			3,005
Sale of other property	1,000			1,000
Operating transfers in	3,244,969	1,300,000	754,519	5,299,488
Operating transfers out	(5,276,070)		(23,418)	(5,299,488)
Total Other Financing Sources (Uses)	(2,027,096)	1,300,000	731,101	4,005
Net change in fund balances	(284,488)	631,452	238,389	585,353
Fund Balances:				
July 1, 2004	2,699,029	3,511,815	2,212,513	8,423,357
Prior period adjustments (Note 8)	(1,237)			(1,237)
July 1, 2004, as restated	2,697,792	3,511,815	2,212,513	8,422,120
Increase(Decrease) Reserve for Inventory			(20,382)	(20,382)
June 30, 2005	\$ 2,413,304	4,143,267	2,430,520	\$ 8,987,091

PETAL SCHOOL DISTRICT
 Reconciliation of Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ 585,353
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$ 1,675,967 and the depreciation expense amounted to \$ 547,705 (Note 4).	1,128,262
2. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following item:	
Losses on sales of capital assets (-)	(312)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5)	501,166
4. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources.	
Compensated Absences Decreases	2,004
Accrued interest on debt Decreases	7,030
5. An increase(+)/decrease(-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	
Decrease in Reserve for Inventory (-)	(20,382)
Change in net assets of governmental activities	<u>\$ 2,203,121</u>

PETAL SCHOOL DISTRICT
Statement of Net Assets - Fiduciary Funds
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 1,202,341
Total Assets	<u><u>1,202,341</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,158,773
Due to student clubs	43,568
Total Liabilities	<u><u>\$ 1,202,341</u></u>
Net Assets	
Total Net Assets	<u><u>-</u></u>

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

NOTES TO FINANCIAL STATEMENTS

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

The Authority is governed by a Petal Schools Leasing Authority member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 10).

B. Basis of Presentation.

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

Government - Wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Building Project Fund – This fund is a capital project fund used to reserve local sources to be expended for capital projects and improvements.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the both the government-wide and governmental fund financial statements.

I. Capital Assets.

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

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

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

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

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

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 prepaid items – An account that represents a portion of the fund balance which indicates that prepaid items do not represent available spendable resources even though they are a component of net current assets.

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

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

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..

(1-A) Changes in Accounting Standards.

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(2) Cash and Cash Equivalents and Cash with Fiscal Agents.

Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds \$ 8,233,931, and \$ 1,202,341, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$ 8,193,025 and Restricted Assets - \$ 40,906. The Restricted Assets represent the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$ 9,225,145.

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 the risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$ 9,225,145 was exposed to custodial credit risk.

Cash With Fiscal Agents.

The carrying amount of school districts' cash with fiscal agents held by financial institutions was \$ 107,169.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

A. Due from / To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 79,346	-
Other governmental funds	<u>21,447</u>	<u>100,793</u>
Total Funds	<u><u>100,793</u></u>	<u><u>100,793</u></u>

The purpose of interfund loans was to account for federal funds that were not received until after the year ending 6/30/2005.

B. Advances To / From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General fund	\$ -	350,938
Other governmental funds	<u>350,938</u>	<u>-</u>
Total Funds	<u><u>350,938</u></u>	<u><u>350,938</u></u>

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

Sixteenth section principal loans payable.

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

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Year Ending June 30	Principal	Interest	Total
2006	20,786	831	21,617
2007	20,786	831	21,617
2008	20,786	831	21,617
2009	20,786	831	21,617
2010	20,786	831	21,617
2011-2015	95,930	3,835	99,765
2016-2020	83,930	3,835	87,765
2021-2024	67,148	2,684	69,832
Total	\$ 350,938	\$ 14,509	\$ 365,447

C. Transfers In / Out:

	Transfers In	Transfers Out
Governmental Funds:		
General fund	\$ 3,244,969	5,276,070
Building project fund	1,300,000	
Other governmental funds	754,519	23,418
Total Funds	5,299,488	5,299,488

The purpose of transfers in and transfers out was related to debt service payments and standard operations.

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

(4) Capital Assets.

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

	Balance <u>7/1/2004</u>	Additions	Retirements	Completed Construction	Adjustments	Balance <u>6/30/2005</u>
<u>Non-depreciable capital</u>						
Land	\$ 87,770	840,000				\$ 927,770
Construction in progress	1,039,834	399,464		(1,439,298)		-
Total non-depreciable	<u>1,127,604</u>	<u>1,239,464</u>	<u>-</u>	<u>(1,439,298)</u>	<u>-</u>	<u>927,770</u>
<u>Depreciable capital assets</u>						
Buildings	15,352,142	-		1,439,298		16,791,440
Improvements other than buildings	228,277	304,559				532,836
Mobile equipment	1,881,477	99,981	(31,400)			1,950,058
Furniture and equipment	1,111,227	31,963	(12,608)		(27,026)	1,103,556
Total depreciable capital	<u>18,573,123</u>	<u>436,503</u>	<u>(44,008)</u>	<u>1,439,298</u>	<u>(27,026)</u>	<u>20,377,890</u>
<u>Less accumulated:</u>						
Buildings	4,878,256	318,855				5,197,111
Improvements other than buildings	14,857	22,777				37,634
Mobile equipment	1,498,120	122,421	(27,886)			1,592,655
Furniture and equipment	583,435	83,652	(12,608)		(4,780)	649,699
Total accumulated depreciation	<u>6,974,668</u>	<u>547,705</u>	<u>(40,494)</u>	<u>-</u>	<u>(4,780)</u>	<u>7,477,099</u>
Total depreciable capital assets, net	<u>11,598,455</u>	<u>(111,202)</u>	<u>(3,514)</u>	<u>1,439,298</u>	<u>(22,246)</u>	<u>12,900,791</u>
Governmental activities capital assets, net	<u>\$ 12,726,059</u>	<u>1,128,262</u>	<u>(3,514)</u>	<u>-</u>	<u>(22,246)</u>	<u>\$ 13,828,561</u>

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 25,845
Support Services	457,985
Non-instructional	63,875
Total depreciation expense	<u>\$ 547,705</u>

An adjustment was made to furniture and equipment to adjust the capital asset schedule to the detail capital asset listing.

(5) **Long-term liabilities.**

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

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amounts due within one year
A. Limited obligation bonds payable	\$ 3,820,000		(180,000)	3,640,000	\$ 190,000
B. Certificates of participation payable	330,000		(105,000)	225,000	110,000
C. Three mill - ten year notes payable	510,000		(120,000)	390,000	125,000
D. Transportation equipment loans payable	172,599		(39,992)	132,607	42,027
E. Shortfall notes payable	114,483		(56,174)	58,309	58,309
F. Compensated absences payable	164,735		(2,004)	162,731	
Total	<u>\$ 5,111,817</u>	<u>-</u>	<u>(503,170)</u>	<u>4,608,647</u>	<u>\$ 525,336</u>

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

A. 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds, series 98	varies	02/25/1998	02/25/2017	4,720,000	3,640,000
Total				\$ 4,720,000	\$ 3,640,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	190,000	165,925	355,925
2007	205,000	153,878	358,878
2008	215,000	141,847	356,847
2009	225,000	131,147	356,147
2010	230,000	121,050	351,050
2011-2015	1,320,000	436,501	1,756,501
2016-2018	1,255,000	106,201	1,361,201
Total	\$ 3,640,000	\$ 1,256,549	\$ 4,896,549

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

B. Certificates of participation payable.

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificate of participation payable	varies	3/15/1993	11/15/2007	\$ 1,200,000	\$ 225,000
Total				<u>\$ 1,200,000</u>	<u>\$ 225,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	110,000	11,140	121,140
2007	115,000	5,750	120,750
Total	<u>\$ 225,000</u>	<u>\$ 16,890</u>	<u>\$ 241,890</u>

This debt will be retired from the debt service fund.

C. Three mill – ten year notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax note	varies	6/30/1998	6/30/2008	\$ 1,270,000	\$ 390,000
Total				<u>\$ 1,270,000</u>	<u>\$ 390,000</u>

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

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	125,000	18,135	143,135
2007	130,000	12,323	142,323
2008	135,000	6,277	141,277
Total	<u>\$ 390,000</u>	<u>\$ 36,735</u>	<u>\$ 426,735</u>

This debt will be retired from the three mill debt service fund.

D. Transportation equipment loans payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Transportation note payable	5.09%	8/1/1997	8/1/2007	\$ 375,000	\$ 132,607
Total				<u>\$ 375,000</u>	<u>\$ 132,607</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	42,027	6,750	48,777
2007	44,166	4,611	48,777
2008	46,414	2,362	48,776
Total	<u>\$ 132,607</u>	<u>\$ 13,723</u>	<u>\$ 146,330</u>

This debt will be retired from the three mill debt service fund.

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

E. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Rate</u>	<u>Date</u>	<u>Date</u>	<u>Issued</u>	<u>Outstanding</u>
Revenue shortfall note Series 2003	3.80%	6/29/2003	6/29/2006	\$ 168,600	\$ 58,309
				<hr/>	<hr/>
Total				<u>\$ 168,600</u>	<u>\$ 58,309</u>

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	58,309	2,216	60,525
Total	<u>\$ 58,309</u>	<u>\$ 2,216</u>	<u>\$ 60,525</u>

This debt will be retired from the debt service fund.

F. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25 % of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2005, 2004,

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

and 2003 were \$ 1,524,918, \$ 1,321,659 and \$1,220,279, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	38,844
2007	38,844
2008	38,507
2009	38,499
2010	38,277
2011-2015	174,310
2016-2020	162,588
2021-2025	162,528
2026-2030	162,333
Total	<u>\$ 854,730</u>

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
1. Adjustments related to the recording of prior period transactions.	<u>(34,181)</u>

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balance

PETAL SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Adjustment related to prior year transaction.	\$ (1,237)
	Total	(1,237)

(9) Risk Management.

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

(10) Trust Certificates.

A trust agreement dated March 15, 1993, was executed by and between the school district and Bank of Mississippi of Jackson, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,200,000. Approximately \$ 1,180,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$ 20,000 was used to pay the cost of issuance.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

PETAL SCHOOL DISTRICT
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2005

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	5,815,812	5,815,812	6,399,580	-	583,768
State sources	14,575,480	14,575,480	14,754,012	-	178,532
Federal sources	41,300	41,300	64,051	-	22,751
Total Revenues	20,432,592	20,432,592	21,217,643	-	785,051
Expenditures:					
Instruction	12,341,772	12,331,275	12,082,216	10,497	249,059
Support services	6,712,546	6,652,546	6,535,704	60,000	116,842
Noninstructional services	50,728	50,728	46,200	-	4,528
Facilities acquisition and construction	778,689	810,915	810,915	(32,226)	-
Total Expenditures	19,883,735	19,845,464	19,475,035	38,271	370,429
Excess (deficiency) of revenues over expenditures	548,857	587,128	1,742,608	(38,271)	414,622
Other Financing Sources:					
Insurance loss recoveries			3,005	-	3,005
Sale of other property	1,000	1,000	1,000	-	-
Operating transfers in	3,215,100	3,244,969	3,244,969	(29,869)	-
Operating transfers out	(3,985,200)	(5,276,070)	(5,276,070)	1,290,870	-
Total Other Financing Sources (Uses)	(769,100)	(2,030,101)	(2,027,096)	1,261,001	3,005
Net change in fund balances	(220,243)	(1,442,973)	(284,488)	1,222,730	417,627
Fund Balances:					
July 1, 2004	2,760,055	2,824,287	2,699,029	(64,232)	(125,258)
Prior Period Adjustments			(1,237)		
July 1, 2004, as restated	2,760,055	2,824,287	2,697,792	(64,232)	(125,258)
June 30, 2005	2,539,812	1,381,314	2,413,304	1,158,498	292,369

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

PETAL SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Building Project Fund
 For the Year Ended June 30, 2005

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Total Revenues	-	-	-	-	-
Expenditures:					
Instruction	5,710	5,710	5,517	-	193
Support services	28,600	28,600	28,202	-	398
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	896,930	868,330	634,829	28,600	233,501
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	931,240	902,640	668,548	28,600	234,092
Excess (deficiency) of revenues over expenditures	(931,240)	(902,640)	(668,548)	(28,600)	(234,092)
Other Financing Sources:					
Operating transfers in	-	1,300,000	1,300,000	1,300,000	-
Total Other Financing Sources (Uses)	-	1,300,000	1,300,000	1,300,000	-
Net change in fund balances	(931,240)	397,360	631,452	1,271,400	(234,092)
Fund Balances:					
July 1, 2004	3,511,815	3,511,815	3,511,815	-	-
July 1, 2004, as restated	3,511,815	3,511,815	3,511,815	-	-
June 30, 2005	2,580,575	3,909,175	4,143,267	1,271,400	(234,092)

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

PETAL SCHOOL DISTRICT

Notes to the Required Supplemental Information
For the Year Ended June 30, 2005

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 the date established by the Mississippi Department of Education. 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.

SUPPLEMENTAL INFORMATION

PETAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed - through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 109,408
Child Nutrition Cluster:		
School breakfast program	10.553	231,910
National school lunch program	10.555	646,266
Summer food service program for children	10.559	37,484
Total child nutrition cluster		915,660
Fresh fruit and vegetable program	10.582	39,026
Total U.S. Department of Agriculture		1,064,094
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	721,676
Vocational education - basic grants to states	84.048	33,746
Safe and drug-free schools and communities - state grants	84.186	16,415
Even start - state educational agencies	84.213	178,176
Eisenhower professional development state grants	84.281	101,924
Twenty-first century community learning centers	84.287	449,574
State grants for innovative programs	84.298	21,460
Education technology state grants	84.318	20,006
Improving teacher quality - state grants	84.367	62,610
Total		1,605,587
Special education cluster:		
Special education - grants to states	84.027	777,592
Special education - preschool grants	84.173	50,051
Total		827,643
Total Passed-through Mississippi Department of Education		2,433,230
Total U.S. Department of Education		2,433,230
 <u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Human Services:		
Medicaid school-based claiming	93.XXX	27,535
Total		27,535
Total U.S. Department of Health and Human Services		27,535
Total for All Federal Awards		\$ 3,524,859

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 general purpose financial statements.
- 2) The expenditure amounts include transfers out.
- 3) The pass-through entities did not assign identification numbers to the school district.

Petal School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,601,685	13,634,774	1,915,641	4,051,269
Other	8,496,923	992,591	387,214	5,486,353
Total	\$ <u>26,467,842</u>	<u>14,627,365</u>	<u>2,302,855</u>	<u>9,537,622</u>
Total number of students *	<u>3,666</u>			
Cost per student \$	<u>7,220</u>	<u>3,990</u>	<u>628</u>	<u>2,602</u>

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

Instruction - 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 functional codes)

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

**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***

June 27, 2006

Superintendent and School Board
Petal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Petal School District as of and for the year ended June 30, 2005, which collectively comprise the Petal School District's basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not 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*.

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.

McDaniel CPA Firm

Scotty McDaniel, CPA

MEMBER
Mississippi Society
of Certified Public
Accountants

**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**

June 27, 2006

Superintendent and School Board
Petal School District

Compliance

We have audited the compliance of the Petal 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, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Petal 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, 2005.

Internal Control Over Compliance

The management of the Petal School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be a material weaknesses.

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.

McDaniel CPA Firm

Scotty McDaniel, CPA

MEMBER

Mississippi Society
of Certified Public
Accountants

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

June 27, 2006

Superintendent and School Board
Petal School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Petal School District as of and for the year ended June 30, 2005, which collectively comprise Petal School District's basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply fund". 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 \$ 11,234 of classroom supply funds carried over from previous years.

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

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

McDaniel CPA Firm

PETAL SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2005

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 general purpose financial statements:	no
3 .	Internal control over financial reporting:	
	a. Material weakness(es) identified?	no
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	yes

Federal Awards:

4 .	Type of auditor's report issued on compliance for major federal programs:	unqualified
5 .	Internal Control over major programs:	
	a. Material 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. Title I grants to local educational agencies CFDA #: 84.010	
	b. Twenty-first century community learning centers CFDA#: 84.287	
8 .	The dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
9 .	Auditee qualified as a low-risk auditee?	yes
10 .	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in section ____ .315(b) of OMB Circular A-133?	no

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses.

05-1. Finding

During the tests of the general fixed assets, we found the following:

- a. One asset was misclassified as to type of asset.
- b. One asset was being depreciated that was under the threshold amount.

Recommendation

We recommend that the following procedures be completed:

- a. The asset listing of the school district be should reviewed to ensure that all assets are correctly classified.
- b. The asset listing of the school district should be reviewed to ensure that only assets above the threshold amounts are being depreciated.

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.

CORRECTIVE ACTION PLAN

June 27, 2006

McDaniel CPA Firm
35 Corner Oaks Drive
Hattiesburg, MS 39402

Gentlemen:

Petal School District respectfully submits the following corrective action plan for the year ended June 30, 2005.

The finding from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses:

05-1. Corrective Action Planned:

1. Sheryle Coaker, Director of Finance 601-545-3002.

2. Corrective Action Planned:

Asset listings are now prepared monthly by the fixed asset clerk and submitted to the Director of Finance for review. Fixed assets are checked for correct classifications and threshold limitations. Corrections for any misclassification or adjustments to depreciation are now made in a timely manner.

3. Anticipated Completion Date:

The implementation of procedures is immediate and on going.