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Enterprise School District

Audited Financial Statements
June 30, 2006

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Enterprise School District
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J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Enterprise School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2006, which collectively comprise the Enterprise School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enterprise School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued our report dated November 16, 2006, on my consideration of the Enterprise School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, PC
November 16, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ENTERPRISE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Enterprise School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. 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 \$269,921, which represents a 7% increase from fiscal year 2005.
- General revenues account for \$5,582,345 in revenue, or 83% of all revenues. This amount was more amount-wise when compared to the general revenues reported for the year 2005, which consisted of \$5,318,850 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$1,154,474 or 17% of total revenues compared with \$1,121,726 in 2005.
- The District had \$6,466,898 in expenses, an amount that increased when compared with the \$6,265,099 in expenses for the prior year; only \$1,154,474 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,582,345 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,233,935 in revenues and \$4,995,652 in expenditures. In 2005 the General Fund had \$4,928,898 in revenues and \$4,876,735 in expenditures. The General Fund's fund balance decreased \$191,548 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,136,692.
- Long-term debt decreased by \$129,702.

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 16 and 17 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 20 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

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 27-41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43-46 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 48 and 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,403,914 as of June 30, 2006.

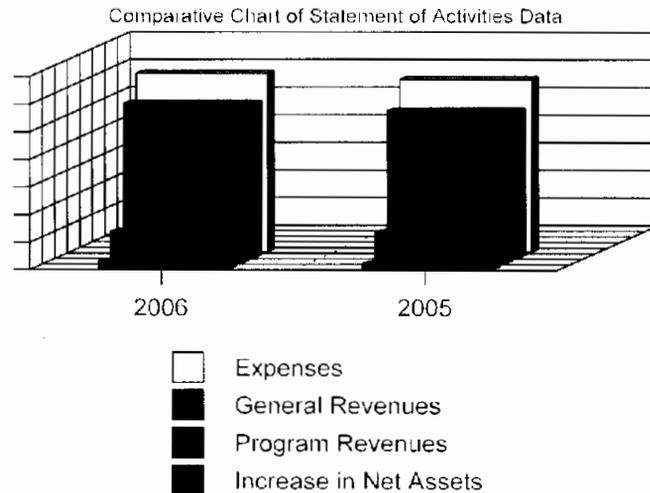
The District's net assets (38%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide 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, 2006 and 2005.

	2006	2005	Percentage Change
Assets			
Current assets	\$ 2,934,709	4,185,874	-30%
Capital assets, net	4,256,310	3,119,618	36%
Total assets	7,191,019	7,305,492	-2%
Liabilities			
Current liabilities	21,105	271,162	-92%
Long-term liabilities	2,766,000	2,895,702	-4%
Total liabilities	2,787,105	3,166,864	-12%
Net Assets:			
Invested in capital assets, net of related debt	1,653,638	254,610	549%
Restricted	2,559,791	2,383,716	7%
Unrestricted	190,485	1,500,302	-87%
Total Net Assets	\$ 4,403,914	4,138,628	6%

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$6,736,819. The total cost of all programs and services was \$6,466,898. The following chart presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

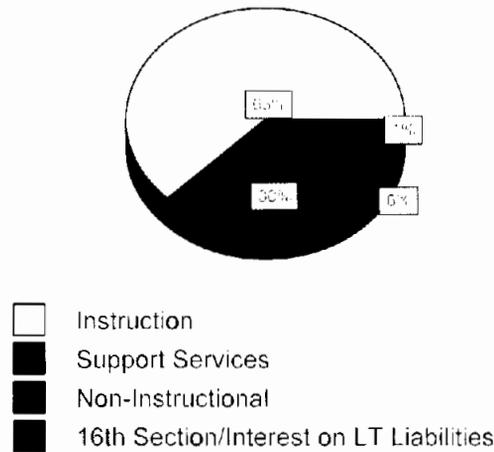


	2006	2005	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 393,435	361,493	9%
Operating Grants and Contributions	733,805	732,259	0%
Capital Grants and Contributions	27,234	27,974	-3%
Total Program Revenues	1,154,474	1,121,726	3%
General Revenues			
Property Taxes	1,575,644	1,452,559	8%
Unrestricted Grants and Contributions	3,574,277	3,538,935	1%
Unrestricted Investment Earnings	68,827	69,737	-1%
Sixteenth Section Sources	298,685	248,629	20%
Other	64,912	8,990	622%
Total General Revenues	5,582,345	5,318,850	5%
Total revenues	6,736,819	6,440,576	5%
Expenses			
Instruction	4,054,356	3,720,338	9%
Support services	1,910,457	1,794,737	6%
Non-instructional	356,764	332,116	7%
Sixteenth section	91,590	47,828	91%
Interest on long-term liabilities	53,731	370,080	-85%
Total expenses	6,466,898	6,265,099	3%
Increase (Decrease) in net assets	269,921	175,477	54%
Net Assets, July 1	4,138,628	3,963,151	4%
Prior Period Adjustment	(4,635)		100%
Net Assets, June 30	\$ 4,403,914	4,138,628	6%

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.

	2006	2005	2006	2005
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 4,054,356	3,720,338	(3,373,168)	(3,490,344)
Support Services	1,910,457	1,794,737	(1,867,533)	(1,479,255)
Non-Instructional	356,764	332,116	33,474	207,965
Sixteenth Section	91,590	47,828	(51,466)	(11,659)
Interest on Long-Term Liabilities	53,731	370,080	(53,731)	(370,080)
	\$ 6,466,898	6,265,099	(5,312,424)	(5,143,373)

Expenses as per Statement of Activities
2006



- Net cost of governmental activities (\$5,312,424), was financed by general revenue, which is made up of primarily property taxes \$(1,575,644) and state revenue \$(3,557,843).
- Sixteenth section sources accounted for \$298,685 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 \$2,926,224, a decrease of \$998,073 due primarily to capital expenditures related to school building renovations. \$2,809,978 or 96% 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 \$116,246 or 4% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$191,548, a result of increased operating transfers out to other funds. The increase in the Sixteenth Section Interest Fund was \$254,880, and the increase in the Building Fund was \$38,391 due to an operating transfer in greater than fund expenditures. The fund balance in the QZAB Fund showed a decrease of \$1,333,189, due to capital expenditures related to school building renovations. The fund balance of Other Governmental

Funds showed an increase of \$233,393 due primarily to operating transfers in from other funds.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District’s original budget was prepared with the district’s goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred to reflect the recognition of the actual revenues and expenditures occurring.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards are known, budgets were amended to the actual grant award amount.

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, 2006, the District’s total capital assets were \$5,626,842, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$1,263,609 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$1,370,532 and total depreciation expense for the year was \$136,490, resulting in total net capital assets of \$4,256,310.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 155,430	155,430	0%
Construction in progress	1,573,532	347,227	353%
Buildings	2,181,378	2,233,915	-2%
Improvements other than buildings	25,556	39,496	-35%
Mobile equipment	293,711	292,183	1%
Furniture and equipment	26,703	51,367	-48%
	\$ 4,256,310	3,119,618	36%

Additional information of the District’s capital assets can be found in Note 4 on page 35 of this report.

Debt Administration. At June 30, 2006, the District had no general obligation bonds outstanding and \$2,766,000 in other long-term debt outstanding, of which \$135,626 is due within one year. The District maintains an AA bond rating.

	2006	2005	Percentage Change
Certificates of participation payable	\$ 961,000	1,074,000	-11%
QZAB	1,700,000	1,700,000	0%
Other loans payable	75,840	91,008	-17%
Compensated absences	29,160	30,694	-5%
	\$ 2,766,000	2,895,702	-4%

Additional information of the District's long-term debt can be found in Note 5 on page 36 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The 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 Enterprise School District, 503 River Road, Enterprise, MS 39330.

FINANCIAL STATEMENTS

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 2,796,797
<i>Restricted assets</i>	36,786
<i>Due from other governments</i>	98,382
<i>Inventories and prepaid items</i>	2,744
<i>Capital assets, not being depreciated</i>	
<i>Land</i>	155,430
<i>Construction in progress</i>	1,573,532
<i>Capital assets, net of accumulated depreciation</i>	
<i>Buildings</i>	2,181,378
<i>Improvements other than buildings</i>	25,556
<i>Mobile equipment</i>	293,711
<i>Furniture and equipment</i>	26,703
Total Assets	<u>7,191,019</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	8,484
<i>Interest payable on long-term liabilities</i>	12,621
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	134,168
<i>Non-capital related liabilities</i>	1,458
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	2,602,672
<i>Non-capital related liabilities</i>	27,702
Total Liabilities	<u>2,787,105</u>
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	1,653,638
Restricted For:	
<i>School - based activities</i>	1,701,769
<i>Debt Service</i>	115,353
<i>Capital Improvements</i>	570,453
<i>Forestry Improvements</i>	69,712
<i>Unemployment Benefits</i>	61,875
<i>Sixteenth section</i>	
<i>Expendable</i>	3,229
<i>Nonexpendable</i>	37,400
<i>Unrestricted</i>	190,485
Total Net Assets	<u>\$ 4,403,914</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government					Governmental Activities
Governmental Activities:					
<i>Instruction</i>	4,054,356	200,911	453,043	27,234	(3,373,168)
<i>Support services</i>	1,910,457	--	42,924	--	(1,867,533)
<i>Noninstructional services</i>	356,764	152,400	237,838	--	33,474
<i>Sixteenth section</i>	91,590	40,124	--	--	(51,466)
<i>Interest on long-term liabilities</i>	53,731	--	--	--	(53,731)
Total Primary Government	<u>\$ 6,466,898</u>	<u>\$ 393,435</u>	<u>\$ 733,805</u>	<u>\$ 27,234</u>	<u>(5,312,424)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					1,470,420
<i>Debt purpose levies</i>					105,224
Unrestricted grants and contributions:					
<i>State</i>					3,557,843
<i>Federal</i>					16,434
<i>Unrestricted investment earnings</i>					68,827
<i>Sixteenth section sources</i>					298,685
<i>Other</i>					64,912
Total general revenues					<u>5,582,345</u>
Change in Net Assets					269,921
Net Assets - Beginning					4,138,628
Prior Period Adjustment					(4,635)
Net Assets - Restated					4,133,993
Net Assets - Ending					<u>\$ 4,403,914</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Sixteenth Section Interest Funds
ASSETS		
<i>Cash and cash equivalents</i>	\$ 303,931	\$ 1,530,417
<i>Due from other governments</i>	53,470	-
<i>Due from other funds</i>	27,538	1,217
<i>Inventories and prepaid items</i>	--	--
Total Assets	\$ 384,939	\$ 1,531,634
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 919	\$ 5,000
<i>Due to other funds</i>	18,761	39,163
Total Liabilities	19,680	44,163
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Ad valorem</i>	113,502	--
<i>Unemployment</i>	--	--
<i>Forestry</i>	--	--
<i>Permanent fund</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	251,757	--
<i>Special Revenue funds</i>	--	1,487,471
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<i>Permanent funds</i>	--	--
Total Fund Balances	365,259	1,487,471
Total Liabilities and Fund Balances	\$ 384,939	\$ 1,531,634

EXHIBIT C

Building Fund	QZAB Capital Fund	Other Governmental Funds	Total Governmental Funds
\$ 552,193	\$ --	\$ 447,041	\$ 2,833,582
-	-	17,135	70,605
14,290	-	49,828	92,873
-	-	2,744	2,744
<u>\$ 566,483</u>	<u>\$ --</u>	<u>\$ 516,748</u>	<u>\$ 2,999,804</u>
\$ -	\$ -	\$ 2,565	\$ 8,484
-	-	7,172	65,096
-	-	9,737	73,580
-	-	2,744	2,744
-	-	-	113,502
-	-	61,875	61,875
-	-	69,713	69,713
-	-	37,400	37,400
-	-	-	251,757
-	-	214,298	1,701,769
566,483	-	3,970	570,453
-	-	113,782	113,782
-	-	3,229	3,229
<u>566,483</u>	<u>-</u>	<u>507,011</u>	<u>2,926,224</u>
<u>\$ 566,483</u>	<u>\$ --</u>	<u>\$ 516,748</u>	<u>\$ 2,999,804</u>

ENTERPRISE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 2,926,224
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,256,310
Liabilities due in one year are not reported in the funds	(135,626)
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,700,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(12,621)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(27,702)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(902,672)
Rounding difference	<u>1</u>
Net assets of governmental activities - statement of net assets	<u>\$ 4,403,914</u>

The accompanying notes are an integral part of this statement.

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ENTERPRISE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Sixteenth Section Interest Funds
Revenue:		
<i>Local sources</i>	\$ 1,702,475	\$ 8,166
<i>State sources</i>	3,515,026	--
<i>Federal sources</i>	16,434	--
<i>Sixteenth section sources</i>	--	246,714
Total revenues	<u>5,233,935</u>	<u>254,880</u>
Expenditures:		
Instruction	3,133,698	--
Support services	1,661,901	--
Noninstructional services	--	--
Sixteenth section	15,049	--
Facilities acquisition and construction	--	--
Debt service:		
<i>Principal</i>	128,168	--
<i>Interest</i>	56,836	--
Total expenditures	<u>4,995,652</u>	<u>--</u>
Excess (deficiency) of revenues (over) expenditures	238,283	254,880
Other financing sources (uses):		
Insurance loss recoveries	60,543	--
Sale of transportation equipment	459	--
Operating transfers in	--	--
Operating transfers out	(490,833)	--
Total other financing sources (uses)	<u>(429,831)</u>	<u>--</u>
Net change in fund balance	(191,548)	254,880
Fund Balances:		
July 1, 2005	556,807	1,232,591
Increase (decrease) in reserve for inventory	--	--
June 30, 2006	<u>\$ 365,259</u>	<u>\$ 1,487,471</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Building Fund	QZAB Capital Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 31,612	\$ 259,897	\$ 2,002,150
-	-	197,301	3,712,327
-	-	606,555	622,989
-	-	92,095	338,809
<u>-</u>	<u>31,612</u>	<u>1,155,848</u>	<u>6,676,275</u>
-	-	673,166	3,806,864
216,609	-	56,622	1,935,132
-	-	338,506	338,506
-	-	76,541	91,590
-	1,378,254	-	1,378,254
-	-	-	128,168
-	-	-	56,836
<u>216,609</u>	<u>1,378,254</u>	<u>1,144,835</u>	<u>7,735,350</u>
(216,609)	(1,346,642)	11,013	(1,059,075)
-	-	-	60,543
-	-	-	459
255,000	13,453	225,196	493,649
-	-	(2,816)	(493,649)
<u>255,000</u>	<u>13,453</u>	<u>222,380</u>	<u>61,002</u>
38,391	(1,333,189)	233,393	(998,073)
528,092	1,333,189	278,226	3,928,905
-	-	(4,608)	(4,608)
<u>\$ 568,483</u>	<u>\$ -</u>	<u>\$ 507,011</u>	<u>\$ 2,926,224</u>

ENTERPRISE SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ (998,073)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,284,059
The depreciation of capital assets used in governmental activities is not reported in the funds.	(136,490)
The gain or loss on the sale of capital assets is not reported in the funds.	(5,781)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(459)
Repayment of certificate of participation principal is expenditure in funds but not an expense in SOA.	113,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	15,168
(Increase) decrease in accrued interest from beginning of period to end of period	1,571
Change in inventory is adjustment to FB in funds but affects expense in the SOA	(4,608)
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	<u>1,534</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 269,921</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and cash equivalents</i>	\$ 307,167
Total Assets	<u>\$ 307,167</u>
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 263,223
<i>Due to student clubs</i>	16,167
<i>Due to other funds</i>	27,777
Total Liabilities	<u>\$ 307,167</u>

The accompanying notes are an integral part of this statement.

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

The school district's basic financial 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 non exchange revenues.

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

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

Building Fund - This fund is used to account for state revenues used for building, renovation, and equipping of school facilities.

OZAB Capital Fund - This fund is used to account for the construction and repairs with monies obtained from the Qualified Zone Academy Bond Issue.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 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.

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.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in the

Enterprise School District

Notes to the Financial Statements For the Year Ended June 30, 2006

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 and proprietary funds.

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 5 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental column. See Note 6 for details.

K. Interfund Transactions and Balances.

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

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.

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 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 of 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, construction 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.

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

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

of fund reserves used by the district:

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 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 improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest land.

Restricted 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 authorities of the county and 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).

The liability for these compensated absences is recorded as long-term liabilities in

Enterprise School District

Notes to the Financial Statements For the Year Ended June 30, 2006

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

(2) Changes in Accounting Standards.

As required, the Enterprise School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents.

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

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

The carrying amount of the district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,833,582 and \$307,167 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$2,796,797 and Restricted Assets \$36,786. The Restricted Assets represent the cash balance of the Sixteenth Section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,476,649.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

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, 2006, none of the district's bank balance of \$3,476,649 was exposed to custodial credit risk

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 27,538	18,761
Sixteenth Section Interest Fund	1,217	39,163
Public School Building Fund	14,290	0
QZAB Fund	0	0
Other Governmental Funds	49,828	7,172
Agency Funds	0	27,777
Total Funds	<u>\$ 92,873</u>	<u>92,873</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds:		
General fund	\$ 0	490,833
Public School Building Fund	255,000	0
QZAB Fund	13,453	
Other governmental funds	<u>225,196</u>	<u>2,816</u>
Total Funds	<u>\$ 493,649</u>	<u>493,649</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

(5) Capital Assets.

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

	Balance 7-1-2005	Addition	Retirement	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>					
Land	155,430				155,430
Construction in Progress	347,227	1,226,305			1,573,532
Total non-depreciable capital assets	502,657	1,226,305	0	0	1,728,962
<u>Depreciable capital assets:</u>					
Buildings	2,865,109				2,865,109
Improvements other than buildings	58,082				58,082
Mobile equipment	729,795	57,754	62,400	41,950	767,099
Furniture and equipment	207,590				207,590
Total depreciable capital assets	3,860,576	57,754	62,400	41,950	3,897,880
<u>Less accumulated depreciation for :</u>					
Buildings	631,194	52,537			683,731
Improvements other than buildings	18,586	2,323		11,617	32,526
Mobile equipment	437,612	56,551	56,160	35,385	473,388
Furniture and equipment	156,223	25,079		(415)	180,887
Total accumulated depreciation	1,243,615	136,490	56,160	46,587	1,370,532
Total depreciable capital assets, net	2,616,961	(78,736)	6,240	(4,637)	2,527,348
Governmental activities capital assets, net	3,119,618	1,147,569	6,240	(4,637)	4,256,310

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 95,543
Support services	27,298
Non-Instructional	13,649
Total depreciation expense	\$136,490

The adjustment of \$41,950 to mobile equipment was to restate the capital assets due to a bus and a truck not included in the prior year. The adjustment of \$46,687 to accumulated depreciation is due to corrections made to calculation corrections to use the correct year schedule to depreciate the asset.

(6) Long-term liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Balance 6-30-2006	Amounts due within one year
A. Certificates of participation payable	1,074,000	0	113,000	961,000	119,000

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

B. QZAB	1,700,000	0		1,700,000	0
C. Other loans payable	91,008	0	15,168	75,840	15,168
D. Compensated absences payable	<u>30,694</u>	<u>0</u>	<u>1,534</u>	<u>29,160</u>	<u>1,458</u>
Total	<u>2,895,702</u>	<u>0</u>	<u>129,702</u>	<u>2,766,000</u>	<u>135,626</u>

A. 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1998 building project- Trust certificate	4.8	05-28-98	4/1/2013	\$ 950,000	526,000
1999 building project Trust certificate	4.9	10-19-99	4/1/2013	<u>750,000</u>	<u>435,000</u>
Total				\$ <u>1,700,000</u>	<u>961,000</u>

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>
2007	\$119,000	46,563	165,563
2008	124,000	40,797	164,797
2009	130,000	34,789	164,789
2010	137,000	28,490	165,490
2011	144,000	21,852	165,852
2012-2013	<u>307,000</u>	<u>22,482</u>	<u>329,482</u>
Total	\$961,000	194,973	1,155,973

This debt will be retired from the Interim Capital Expenditures Fund.

B. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. 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>
Series 2004	2.5%	08-12-04	08-12-18	\$ <u>1,700,000</u>	<u>1,700,000</u>

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

Total \$ 1,700,000 1,700,000

This debt will be retired from the QZAB Fund.

C. Other loans payable.

The school district has issued debt instruments granted under Section 37-59-101 of the Mississippi State Code.

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>
Installment Promissory Note	5.20%	5/6/01	4/6/11	\$ 151,680	75,840
Total				<u>\$ 151,680</u>	<u>75,840</u>

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>
2007	\$ 15,168	3,944	19,112
2008	15,168	3,155	18,323
2009	15,168	2,366	17,534
2010	15,168	1,577	16,745
2011	15,168	789	15,957
Total	<u>\$ 75,840</u>	<u>11,831</u>	<u>87,671</u>

This debt will be retired from the general fund.

D. Compensated absences payable.

As more fully explained in Note 1 (O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

Compensated absences will be paid from the fund from which the employees' salaries were paid.

(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,

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2006 was 10.75% of the 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, 2006, 2005 and 2004 were \$387,883, \$346,245, and \$326,427, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are 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		Amount
June 30,		
2007	\$	42,802
2008		42,802
2009		15,000
Total	\$	<u>100,604</u>

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

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 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Trust Certificates.

A trust agreement dated May 29, 1998, and October 19, 1999, was executed by and between the school district and East Central Mississippi Non-Profit Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 and \$750,000. Approximately \$1,680,516 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,484 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 5A for details regarding the Enterprise School District debt service requirement on the trust certificates.

(11) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through

Enterprise School District

Notes to the Financial Statements
For the Year Ended June 30, 2006

secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement dated 08-12-2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before August 11. The amount accumulated in the sinking fund at the end of the period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2007	\$ 117,029
2008	117,029
2009	117,029
2010	117,029
2011	117,029
2012 - 2016	265,099
Total	<u>\$ 850,244</u>

(12) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 To correct mobile equipment and its corresponding accumulated depreciation to reflect capital assets not accounted for in previous years.	\$ 4,635
Total	<u>\$ 4,635</u>

REQUIRED SUPPLEMENTARY INFORMATION

ENTERPRISE SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2006

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,553,062	1,701,447	1,702,475	148,385	1,028
State sources	3,590,365	3,516,055	3,515,026	(74,310)	(1,029)
Federal sources	17,308	16,434	16,434	(874)	0
Total Revenues	<u>5,160,735</u>	<u>5,233,936</u>	<u>5,233,935</u>	<u>73,201</u>	<u>(1)</u>
Expenditures:					
Instruction	3,050,476	3,133,695	3,133,698	(83,219)	(3)
Support services	1,661,525	1,686,219	1,661,901	(24,694)	24,318
Sixteenth section	21,200	15,049	15,049	6,151	0
Debt service:					
Principal	66,230	128,168	128,168	(61,938)	0
Interest	57,636	56,836	56,836	800	0
Other				0	0
Total Expenditures	<u>4,857,067</u>	<u>5,019,967</u>	<u>4,995,652</u>	<u>(162,900)</u>	<u>24,315</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>303,668</u>	<u>213,969</u>	<u>238,283</u>	<u>(89,699)</u>	<u>24,314</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		60,543	60,543	60,543	0
Sale of transportation equipment		459	459	459	0
Operating transfers in	450,000	97,094		(352,906)	(97,094)
Operating transfers out	(275,000)	(587,927)	(490,833)	(312,927)	97,094
Total Other Financing Sources (Uses)	<u>175,000</u>	<u>(429,831)</u>	<u>(429,831)</u>	<u>(604,831)</u>	<u>0</u>
Net Change in Fund Balances	<u>478,668</u>	<u>(215,862)</u>	<u>(191,548)</u>	<u>(694,530)</u>	<u>24,314</u>
Fund Balances:					
July 1, 2005			556,807	0	556,807
Prior period adjustments (Note)		43,407		43,407	(43,407)
July 1, 2005, as restated	<u>0</u>	<u>43,407</u>	<u>556,807</u>	<u>43,407</u>	<u>513,400</u>
June 30, 2006	<u>\$ 478,668</u>	<u>(172,455)</u>	<u>365,259</u>	<u>(651,123)</u>	<u>537,714</u>

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

ENTERPRISE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2006

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources		8,167	8,166	8,167	(1)
Sixteenth section sources		246,713	246,714	246,713	1
Total Revenues	0	254,880	254,880	254,880	0
Expenditures:					
Sixteenth Section	0	0	0	0	0
Total Expenditures	0	0	0	0	0
 Excess (Deficiency) of Revenues Over Expenditures	 0	 254,880	 254,880	 254,880	 0
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
 Net Change in Fund Balances	 0	 254,880	 254,880	 254,880	 0
Fund Balances:					
July 1, 2005			1,232,591	0	1,232,591
Prior period adjustments (Note)	0	0	0	0	0
July 1, 2005, as restated	0	0	1,232,591	0	1,232,591
 June 30, 2006	\$ 0	254,880	1,487,471	254,880	1,232,591

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Enterprise School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

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. This is applicable to the General Fund. The School District was unable to produce an original budget for the Sixteenth Section Interest Fund.

(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.

SUPPLEMENTAL INFORMATION

Enterprise School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$21,880
Child Nutrition Cluster:		
School Breakfast Program	10.553	43,468
National School Lunch Program	10.555	172,495
Total Child Nutrition cluster		<u>215,963</u>
Total passed-through the MDE		<u>215,963</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>237,843</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	16,434
Total Federal Communication Commission		<u>16,434</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	117,721
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,108
State Grants for Innovative Programs	84.298	2,500
Education Technology - State Grants	84.318	3,105
Improving teacher quality - State Grants	84.367	33,005
Hurricane Education Recovery	84.938	3,000
Special Education Cluster:		
Special Education - Grants to States	84.027	178,663
Special Education - Preschool Grants	84.173	10,917
Total Special Education Cluster		<u>189,580</u>
Total passed-through the MDE		<u>351,019</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>351,019</u>
U. S. DEPARTMENT OF HOMELAND SECURITY		
Direct Program:		
FEMA - Disaster Assistance	97.036	17,698
Total Other Federal Assistance		<u>17,698</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$622,994</u></u>

Notes to Schedule

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

Enterprise School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,936,441	3,431,028	257,956	301,633	1,945,824
Other	1,798,909	375,836	-	-	1,423,073
Total	\$ 7,735,350	3,806,864	257,956	301,633	3,368,897

Total number of students * 863

Cost per student \$ 8,963 4,411 299 350 3,904

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
 General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)
 Other - includes all expenditure functions not included in Instruction or Administration categories

includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**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
Enterprise School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2006, and have issued my report thereon dated November 16, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

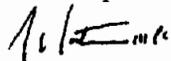
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that I have reported to management of the school district in a separate letter dated November 16, 2006, which is included in this report.

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.



J.E. Fortenberry, III, PC
November 16, 2006

Certified Public Accountant

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047 Telephone (601) 992-5292

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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
Enterprise School District

Compliance

I have audited the compliance of the Enterprise 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, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Enterprise 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, 2006.

Internal Control Over Compliance

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

My 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

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 noncompliance with applicable requirements of laws, regulation, 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. I did not note any matters involving internal control over compliance and its operation that I consider to be 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.



J.E. Fortenberry, III, PC
November 16, 2006

Certified Public Accountant

J.E. Fortenberry, III, PC
Certified Public Accountant

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

Superintendent and School Board
Enterprise School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2006, which collectively comprise Enterprise School District's basic financial statements and have issued my report thereon dated November 16, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of 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 \$17,829.55 of classroom supply funds carried over from previous years.

The results of those procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did disclose the following instances of noncompliance with state laws and regulations:

Purchasing Agent

1. Finding

Section 31-7-103, Miss Code Ann (1972) specifies purchasing documentation for all purchases, except those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss Code Ann (1972), and except for purchases of not more than \$100. The following deviations were noted:

- A. 3 of 50 sampled purchase transaction documents appeared to have been prepared after the fact as indicated by the dates on the documents. These documents were not properly completed as to quantity, description and authorized amounts.
- B. 3 of 50 sampled purchased transaction documents appear to have been prepared from invoices, as indicated by the description of the documents stating "See Invoice."

Recommendation

The Purchasing Agent should ensure that purchase transaction documents are issued when required and in compliance with the above statutes.

2. Finding

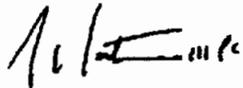
Section 31-7-13 of Miss. Code Ann. states that no purchase shall be made for the purpose of circumventing the provisions of this section requiring competitive bids, nor shall it be lawful for any person to submit individual invoices for amounts within those authorized for a purchase where the actual value of the commodity purchased exceeds the authorized amount and the invoices therefor are split so as to appear to be authorized as purchase for which competitive bids are not required.

One purchase order appeared to be split into three separate requisitions under \$3,500 in order to be under the amount required to obtain quotes.

Recommendation

The Purchasing Agent should ensure that purchase transaction documents are issued when required and in compliance with the above statutes.

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.



J.E. Fortenberry, III, PC
November 16, 2006

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Enterprise School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions 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 weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs tested as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies:
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings 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: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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