

MOUND BAYOU PUBLIC SCHOOL DISTRICT

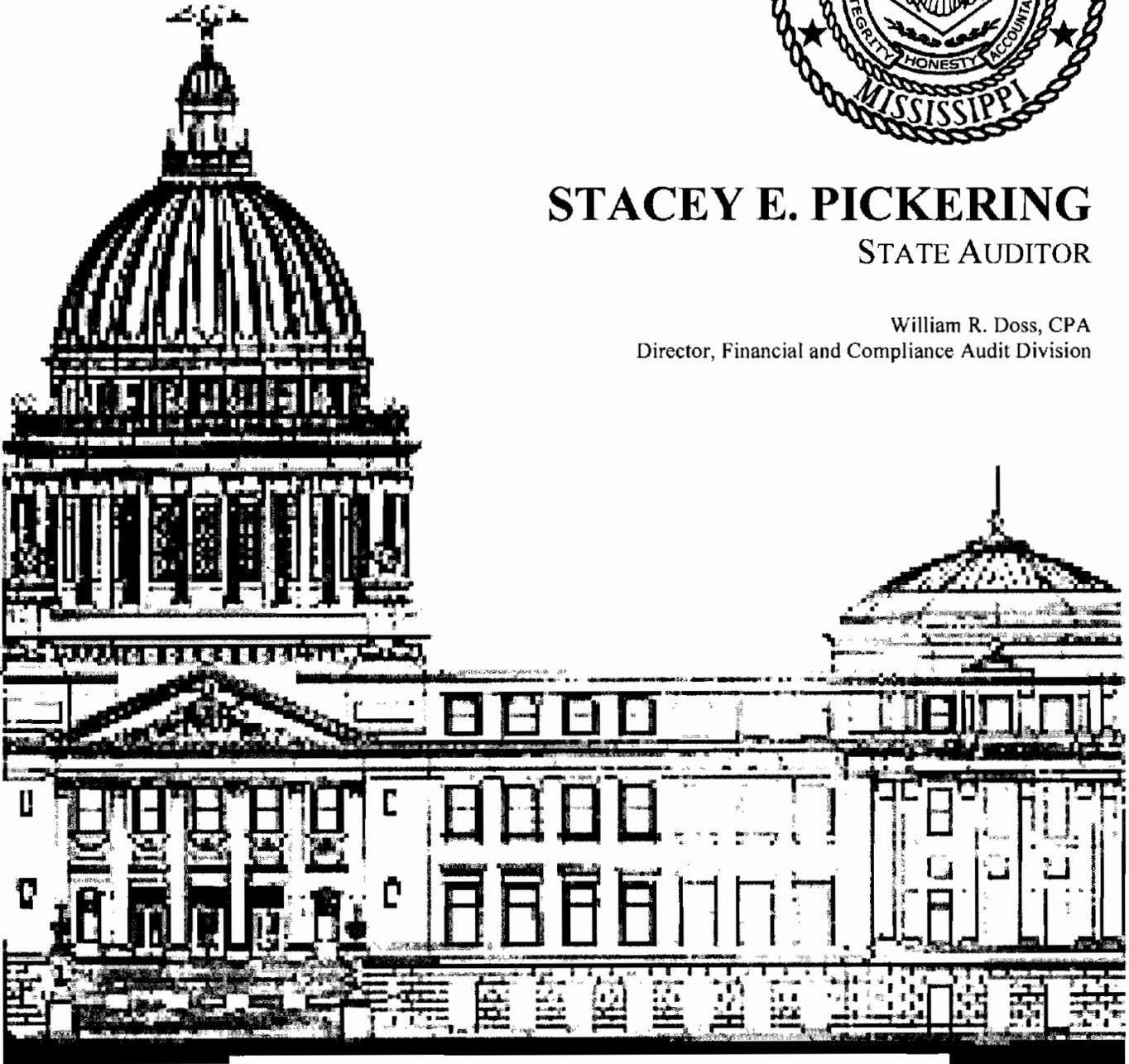
Audited Financial Statements
For the Year Ended June 30, 2006



STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division



A Report from the Education Audit Section

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Mound Bayou Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2006, which collectively comprise the Mound Bayou Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mound Bayou Public 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 Mound Bayou Public 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.

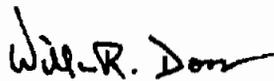
In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2008, on our consideration of the Mound Bayou Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 7 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 44 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 Mound Bayou Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 23, 2008

MOUND BAYOU PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Mound Bayou Public 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 financial statements and the notes to the basic 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 \$443,099, including the effect of prior period adjustments of \$25,921, which represents a 23% increase from fiscal year 2005.
- General revenues account for \$4,046,289 in revenue, or 67% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,973,248 or 33% of total revenues.
- The District had \$5,602,358 in expenses; only \$1,973,248 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$4,046,289 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,919,712 in revenues and \$3,622,826 in expenditures. The General Fund's fund balance increased \$120,007, including the effect of a prior period adjustment of \$24,740, over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$139,872. The majority of this increase is due to additions to mobile equipment such as buses.
- Long-term debt decreased by \$73,698.

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 and other expenses on long-term liabilities.

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.

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.

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.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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 special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,360,408 as of June 30, 2006.

By far the largest portion of the District's net assets (34%) reflects its investment in capital assets in buildings, improvements other than buildings, mobile equipment, furniture and equipment. 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 as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Current assets	\$ 2,587,350	\$ 2,428,169	6.56 %
Capital assets, net	826,843	686,972	20.36 %
Total assets	<u>3,414,193</u>	<u>3,115,141</u>	9.60 %
Current liabilities	102,216	172,565	(40.77) %
Long-term debt outstanding	951,569	1,025,267	(7.19) %
Total liabilities	<u>1,053,785</u>	<u>1,197,832</u>	(12.03) %
Net assets:			
Invested in capital assets, net of related debt	794,776	642,078	23.78 %
Restricted	958,324	680,714	40.78 %
Unrestricted	607,308	594,517	2.15 %
Total net assets	<u>\$ 2,360,408</u>	<u>\$ 1,917,309</u>	23.11 %

A significant current year transaction that had an impact on the Statement of Net Assets was the principal retirement of \$75,071 on long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006, were \$6,019,536. The total cost of all programs and services was \$5,602,358. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

	Change in Net Assets		Percent Change
	June 30, 2006	June 30, 2005	Over Prior Year
Revenues:			
Program revenues:			
Charges for services	\$ 179,863	\$ 122,817	46.45%
Operating grants and contributions	1,793,385	1,589,046	12.86%
General revenues:			
Property taxes	447,800	426,880	4.90%
Grants and contributions not restricted	3,486,889	3,316,490	5.14%
Unrestricted investment earnings	42,312	24,486	72.80%
Sixteenth section sources	37,172	35,240	5.48%
Other	32,116	138,847	(76.87)%
Total revenues	<u>6,019,537</u>	<u>5,653,806</u>	6.47%

Expenses:			
Instruction	3,107,287	2,693,839	15.35%
Support services	2,062,754	1,788,982	15.30%
Non-instructional	431,817	650,409	(33.61)%
Other expense on long-term liabilities	<u>500</u>	<u>0</u>	
Total expenses	<u>5,602,358</u>	<u>5,133,230</u>	9.14%
Increase in net assets	<u>417,179</u>	<u>520,576</u>	(19.86)%
Net Assets, July 1	1,917,309	1,396,733	37.27%
Prior Period Adjustments	<u>25,920</u>	<u>0</u>	
Net Assets, July 1, Restated	<u>1,943,229</u>	<u>1,396,733</u>	39.13%
Net Assets, June 30	<u>\$ 2,360,408</u>	<u>\$ 1,917,309</u>	23.11%

Governmental activities. The following table presents the cost of the District's five major functional activities: instruction, support services, non-instructional and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. 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>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 3,107,287	\$(1,801,171)	\$2,693,839	\$(2,149,152)
Support services	2,062,754	(1,943,213)	1,788,982	(1,741,879)
Non-instructional	431,817	115,774	650,409	469,664
Other expenses on long-term liabilities	<u>500</u>	<u>(500)</u>	<u>0</u>	<u>0</u>
Total expenses	<u>\$ 5,602,358</u>	<u>\$(3,629,110)</u>	<u>\$ 5,133,230</u>	<u>\$(3,421,367)</u>

- Net cost of governmental activities \$3,629,110, was financed by general revenue, which is made up of primarily property taxes of \$447,800 and state revenue of \$3,383,481.
- Investment earnings accounted for \$42,312 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 \$2,485,134, an increase of \$229,530. \$1,860,029 or 75% 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 \$625,105 or 25% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$120,007, including a prior period adjustment of \$24,740. The fund balance in the Title I Basic Fund for the fiscal year experienced no significant change. The fund balance in the Debt Service Fund for the fiscal year was \$489,384, an increase of \$103,901 over the prior year. The fund balance of Other Governmental Funds showed an increase of \$5,642 for the year.

BUDGETARY HIGHLIGHTS

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

General Fund:

- Budget amounts for revenue from state sources was increased due to more than expected 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.

Title I Fund:

- Budget amounts for revenue were increased to include carry-over of prior year funds. Budget amounts for the expenditures were increased mainly due to the inclusion of carry-over funds.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue 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 \$2,482,280, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$188,704 from the previous year. Total accumulated depreciation as of June 30, 2006, was \$1,655,437 and total depreciation expense for the year was \$54,548, resulting in total net assets of \$826,843.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Buildings	\$ 400,296	\$ 412,227	(2.89)%
Improvements other than buildings	47,469	49,730	(4.55)%
Mobile equipment	335,998	208,858	60.87%
Furniture and equipment	43,080	16,156	166.65%
Total	\$ 826,843	\$ 686,971	20.36%

Debt Administration. At June 30, 2006, the District had \$951,569 in general obligation bonds and other long-term debt outstanding, of which \$59,283 is due within one year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Qualified Zone Academy bonds payable	\$ 855,000	\$ 855,000	0%
Judgments payable	46,456	108,700	(57.26)%
Other loans payable	32,067	44,894	(28.57)%
Compensated absences payable	18,046	16,673	8.23%
Total	\$ 951,569	\$ 1,025,267	(7.19)%

The District maintains an A+ bond rating with Standard and Poor's.

CURRENT ISSUES

The Mound Bayou Public School District is financially stable. The District is proud of its community support of the public schools. The assessed valuation of the Mound Bayou Public School District at October 1, 2005, is \$9,378,289.

The District has committed itself to financial excellence for many years. The millage has increased 3.28 over the last year. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Mound Bayou Public School District, 301 E. Martin L King Street, Suite A, Mound Bayou, MS 38762.

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

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MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 1,866,405
Due from other governments	279,174
Other receivables, net	12,999
Inventories	5,319
Restricted assets	423,453
Capital assets, net of accumulated depreciation:	
Buildings	400,296
Improvements other than buildings	47,469
Mobile equipment	335,998
Furniture and equipment	43,080
Total Assets	<u>3,414,193</u>
Liabilities	
Accounts payable and accrued liabilities	96,367
Due to other governments	344
Unearned revenue	5,505
Long-term liabilities, due within one year	
Capital related liabilities	12,827
Non-capital related liabilities	46,456
Long-term liabilities, due beyond one year	
Capital related liabilities	19,240
Non-capital related liabilities	873,046
Total Liabilities	<u>1,053,785</u>
Net Assets	
Invested in capital assets, net of related debt	794,776
Restricted net assets:	
Expendable:	
School-based activities	339,300
Debt service	489,384
Capital improvements	73,687
Unemployment benefits	55,070
Non-expendable:	
Sixteenth section	883
Unrestricted	607,308
Total Net Assets	<u>\$ 2,360,408</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 3,107,287	45,845	1,260,271		(1,801,171)
Support services	2,062,754		119,541		(1,943,213)
Non-instructional	431,817	134,018	413,573		115,774
Other expenses on long-term liabilities	500				(500)
Total Governmental Activities	\$ 5,602,358	179,863	1,793,385	0	(3,629,110)
General Revenues:					
Taxes:					
					428,103
					19,697
Unrestricted grants and contributions:					
					3,383,481
					103,408
					42,312
					37,172
					32,116
					<u>4,046,289</u>
					<u>417,179</u>
					1,917,309
					<u>25,920</u>
					<u>1,943,229</u>
					<u>\$ 2,360,408</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2006

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Displaced Students Fund	Debt Service Fund		
ASSETS						
Cash and cash equivalents	\$ 1,375,243			66,393	425,652	1,867,288
Investments				422,570		422,570
Due from other governments	24,861	80,795	39,758	421	107,806	253,641
Other receivables, net					12,999	12,999
Due from other funds	230,550				32,724	263,274
Advance to other funds	1,605				40	1,645
Inventories					5,319	5,319
Total Assets	\$ 1,632,259	80,795	39,758	489,384	584,540	2,826,736
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 63,480	2,202			30,685	96,367
Due to other funds	40,654	78,593	39,758		79,410	238,415
Advances from other funds	1,315					1,315
Unearned revenue					5,505	5,505
Total Liabilities	105,449	80,795	39,758	0	115,600	341,602
Fund Balances:						
Reserved for:						
Inventory					5,319	5,319
Capital projects					73,687	73,687
Debt service				489,384		489,384
Advances	1,605				40	1,645
Unemployment benefits					55,070	55,070
Unreserved:						
Undesignated, reported in:						
General Fund	1,525,205					1,525,205
Special Revenue Funds					333,941	333,941
Permanent Funds					883	883
Total Fund Balances	1,526,810	0	0	489,384	468,940	2,485,134
Total Liabilities and Fund Balances	\$ 1,632,259	80,795	39,758	489,384	584,540	2,826,736

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,485,134
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,655,437.	826,843
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(951,569)</u>
Total Net Assets - Governmental Activities	<u>\$ 2,360,408</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2006

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Displaced Students Fund	Debt Service Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 512,119			50,401	137,838	700,358
State sources	3,210,907				352,481	3,563,388
Federal sources	196,686	582,325	54,195		878,719	1,711,925
Sixteenth section sources					37,172	37,172
Total Revenues	3,919,712	582,325	54,195	50,401	1,406,210	6,012,843
Expenditures:						
Instruction	2,111,737	283,439	54,195		641,697	3,091,068
Support services	1,436,018	229,977			514,752	2,180,747
Noninstructional services		57,879			406,502	464,381
Debt service:						
Principal	75,071					75,071
Other				500		500
Total Expenditures	3,622,826	571,295	54,195	500	1,562,951	5,811,767
Excess (Deficiency) of Revenues over Expenditures	296,886	11,030	0	49,901	(156,741)	201,076
Other Financing Sources (Uses):						
Insurance loss recoveries	6,693					6,693
Operating transfers in	16,292			54,000	223,895	294,187
Operating transfers out	(224,604)	(11,050)			(58,533)	(294,187)
Total Other Financing Sources (Uses)	(201,619)	(11,050)	0	54,000	165,362	6,693
Net Change in Fund Balances	95,267	(20)	0	103,901	8,621	207,769
Fund Balances:						
July 1, 2005	1,406,803	20		385,483	463,298	2,255,604
Prior period adjustments	24,740				(4,536)	20,204
July 1, 2005, as restated	1,431,543	20	0	385,483	458,762	2,275,808
Increase in reserve for inventory	0	0	0	0	1,557	1,557
June 30, 2006	\$ 1,526,810	0	0	489,384	468,940	2,485,134

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 207,769
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$195,416 and the depreciation expense amounted to \$54,548.	140,867
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	75,071
3. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds in the amount of \$6,712.	(6,712)
4. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	1,557
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>(1,373)</u>
Change in Net Assets of Governmental Activities	<u>\$ 417,179</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2006

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents	\$	292,140
Due from other funds		25
Advances to other funds		<u>319</u>
Total Assets	\$	<u><u>292,484</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	263,380
Due to other funds		24,884
Advances from other funds		649
Due to student clubs		<u>3,571</u>
Total Liabilities	\$	<u><u>292,484</u></u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

Notes to 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 statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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 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.

Title I Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured program.

Displaced Students Fund - This fund is used to account for the federal revenues received for Hurricane Katrina students.

Debt Service Fund - This is the school district's fund that collects ad valorem receipts and makes transfers to the Qualified Zone Academy Bond escrow agent to retire the debt upon maturity.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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

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

I. Capital Assets.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. 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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,867,288 and \$292,140, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$1,866,405 and restricted assets - \$883. The restricted assets of \$423,453 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) of \$883 and the QZAB investment balance in the Debt Service Fund of \$422,570 which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,531,593.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$2,531,593 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Federal National Mortgage Association Notes	Less than 1	\$ <u>422,570</u>	Not Rated
Total Investments		\$ <u><u>422,570</u></u>	

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

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Federal National Mortgage Association Notes	\$ <u>422,570</u>	100%

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	Due From	Due To
Governmental Funds:		
General Fund	\$ 230,550	40,654
Title I Fund		78,593
Displaced Students Fund		39,758
Other governmental funds	32,724	79,410
Total Governmental Funds	<u>263,274</u>	<u>238,415</u>
Fiduciary Funds	<u>25</u>	<u>24,884</u>
Total	<u>\$ 263,299</u>	<u>263,299</u>

The majority of the interfund loans were for indirect costs and to eliminate negative cash balances in pooled bank accounts.

B. Advances To/From Other Funds.

	Advances To	Advances From
Governmental Funds:		
General Fund	\$ 1,605	1,315
Other governmental funds	40	
Total Governmental Funds	<u>1,645</u>	<u>1,315</u>
Fiduciary Funds	<u>319</u>	<u>649</u>
Total	<u>\$ 1,964</u>	<u>1,964</u>

The advances represent the reclassification of interfund loans that had been outstanding for more than one fiscal year.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 16,292	224,604
Title I Fund		11,050
Debt Service Fund	54,000	
Other governmental funds	<u>223,895</u>	<u>58,533</u>
 Total	 <u>\$ 294,187</u>	 <u>294,187</u>

The majority of the transfers in/out were for budgetary purposes and transfers of indirect costs.

(4) Capital Assets.

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

	<u>Balance 7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustment*</u>	<u>Balance 6-30-2006</u>
<u>Depreciable capital assets:</u>						
Buildings	\$ 1,563,657					1,563,657
Improvements other than buildings	56,513					56,513
Mobile equipment	485,287	159,290				644,577
Furniture and equipment	<u>188,119</u>	<u>36,126</u>	<u>6,712</u>			<u>217,533</u>
Total depreciable capital assets	<u>2,293,576</u>	<u>195,416</u>	<u>6,712</u>	<u>0</u>	<u>0</u>	<u>2,482,280</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,151,430	11,931				1,163,361
Improvements other than buildings	6,783	2,261				9,044
Mobile equipment	276,429	32,150				308,579
Furniture and equipment	<u>171,963</u>	<u>8,206</u>			<u>(5,716)</u>	<u>174,453</u>
Total accumulated depreciation	<u>1,606,605</u>	<u>54,548</u>	<u>0</u>	<u>0</u>	<u>(5,716)</u>	<u>1,655,437</u>
 Total depreciable capital assets, net	 <u>686,971</u>	 <u>140,868</u>	 <u>6,712</u>	 <u>0</u>	 <u>5,716</u>	 <u>826,843</u>
 Governmental activities capital assets, net	 <u>\$ 686,971</u>	 <u>140,868</u>	 <u>6,712</u>	 <u>0</u>	 <u>5,716</u>	 <u>826,843</u>

* A prior period adjustment was recorded to correct an overstatement of prior years accumulated depreciation.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 15,401
Support services	34,038
Non-instructional	<u>5,109</u>
 Total Depreciation Expense	 \$ <u><u>54,548</u></u>

(5) 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	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Qualified zone academy bonds payable	\$ 855,000				855,000	
B. Judgments payable	108,700		62,244		46,456	46,456
C. Other loans payable	44,894		12,827		32,067	12,827
D. Compensated absences payable	<u>16,673</u>	<u>1,373</u>			<u>18,046</u>	
Total	\$ <u><u>1,025,267</u></u>	<u><u>1,373</u></u>	<u><u>75,071</u></u>	<u><u>0</u></u>	<u><u>951,569</u></u>	<u><u>59,283</u></u>

A. Qualified zone academy bonds payable.

As more fully explained in Note 9, 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>
Qualified zone academy bonds, Series 2000	0%	09-12-2000	07-01-2010	\$ <u>855,000</u>	<u>855,000</u>
Total				\$ <u><u>855,000</u></u>	<u><u>855,000</u></u>

This debt will be retired from the Debt Service Fund.

B. Judgments payable.

Cleveland School District, a former member of the Consolidated Bolivar School District, originally filed civil litigation against Mound Bayou Public School District on July 21, 1999, in the matter of a payroll loan to Mound Bayou Public School District made by the Consolidated Bolivar County School District. The litigation was finally appealed to the Supreme Court of Mississippi in November 2001, and a final judgment finding for Cleveland School District was affirmed on May 23, 2002, in the amount of \$232,276.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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>
Cleveland School District	0%	05-23-2002	03-15-2007	\$ 232,276	46,456
Total				\$ <u>232,276</u>	<u>46,456</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	\$ 46,456		46,456
Total	\$ <u>46,456</u>	<u>0</u>	<u>46,456</u>

This debt will be retired from the District Maintenance Fund.

C. Other 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>
U.S. EPA Loan	0%	11-30-1991	11-30-2009	\$ 230,883	32,067
Total				\$ <u>230,883</u>	<u>32,067</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	\$ 12,827		12,827
2008	12,827		12,827
2009	6,413		6,413
Total	\$ <u>32,067</u>	<u>0</u>	<u>32,067</u>

This debt will be retired from the District Maintenance 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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer rate for fiscal year ended June 30, 2006, was 10.75% 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, 2006, 2005 and 2004 were \$327,007, \$269,850 and \$269,349, respectively, which equaled the required contributions for each year.

(7) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. Correction of prior year receivables and over-statement of expenditures.	\$ 20,204
2. Overstatement of prior year accumulated depreciation.	<u>5,716</u>
Total	\$ <u><u>25,920</u></u>

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	The district issued a stop payment on a check in fiscal year 2005 but did not adjust the general ledger.	\$ 24,740
Other governmental funds	Reclassify a prior year receivable that was not properly recorded.	<u>(4,536)</u>
Total		\$ <u><u>20,204</u></u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. 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.

(9) 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 secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc. has entered into such an arrangement dated September 12, 2000. The notes were issued for the purpose of paying the costs of renovating, repairing, and rehabilitation a Qualified Zone Academy within the district and paying the costs of such borrowing with Duncan Williams, Inc. assisting in the underwriting.

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 July 1, 2010. The amount accumulated in the sinking fund at the end of the ten-year 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.

Year Ending June 30	Amount
2007	\$ 54,000
2008	54,000
2009	54,000
2010	<u>54,000</u>
Total	<u>\$ 216,000</u>

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

(10) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996, creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes West Tallahatchie School District, Coahoma County School District, Drew School District, Quitman County School District, Mound Bayou Public School District, Coahoma Agricultural High School, Tunica County School District and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 568,676	568,676	512,119		(56,557)
State sources	3,488,455	3,491,392	3,210,907	2,937	(280,485)
Federal sources	13,800	13,800	196,686		182,886
Total Revenues	<u>4,070,931</u>	<u>4,073,868</u>	<u>3,919,712</u>	<u>2,937</u>	<u>(154,156)</u>
Expenditures:					
Instruction	2,171,334	2,174,231	2,111,737	(2,897)	62,494
Support services	1,596,405	1,596,445	1,436,018	(40)	160,427
Debt service:					
Principal	12,827	12,827	75,071		(62,244)
Interest	62,244			62,244	
Other		62,244			62,244
Total Expenditures	<u>3,842,810</u>	<u>3,845,747</u>	<u>3,622,826</u>	<u>59,307</u>	<u>222,921</u>
Excess (Deficiency) of Revenues over Expenditures	<u>228,121</u>	<u>228,121</u>	<u>296,886</u>	<u>62,244</u>	<u>68,765</u>
Other Financing Sources (Uses):					
Insurance loss recoveries			6,693		6,693
Operating transfers in	82,382	83,090	16,292	708	(66,798)
Operating transfers out	(73,279)	(73,279)	(224,604)		(151,325)
Total Other Financing Sources (Uses)	<u>9,103</u>	<u>9,811</u>	<u>(201,619)</u>	<u>708</u>	<u>(211,430)</u>
Net Change in Fund Balances	<u>237,224</u>	<u>237,932</u>	<u>95,267</u>	<u>62,952</u>	<u>(142,665)</u>
Fund Balances:					
July 1, 2005	1,141,198	1,406,803	1,406,803	265,605	0
Prior period adjustments			24,740		24,740
July 1, 2005, as restated	<u>1,141,198</u>	<u>1,406,803</u>	<u>1,431,543</u>	<u>265,605</u>	<u>24,740</u>
June 30, 2006	\$ <u>1,378,422</u>	<u>1,644,735</u>	<u>1,526,810</u>	<u>328,557</u>	<u>(117,925)</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 530,069	644,054	582,325	113,985	(61,729)
Total Revenues	<u>530,069</u>	<u>644,054</u>	<u>582,325</u>	<u>113,985</u>	<u>(61,729)</u>
Expenditures:					
Instruction	243,637	314,885	283,439	(71,248)	31,446
Support services	221,652	251,641	229,977	(29,989)	21,664
Noninstructional services	56,300	66,048	57,879	(9,748)	8,169
Total Expenditures	<u>521,589</u>	<u>632,574</u>	<u>571,295</u>	<u>(110,985)</u>	<u>61,279</u>
Excess (Deficiency) of Revenues over Expenditures	<u>8,480</u>	<u>11,480</u>	<u>11,030</u>	<u>3,000</u>	<u>(450)</u>
Other Financing Sources (Uses):					
Operating transfers out	(8,480)	(11,480)	(11,050)	(3,000)	430
Total Other Financing Sources (Uses)	<u>(8,480)</u>	<u>(11,480)</u>	<u>(11,050)</u>	<u>(3,000)</u>	<u>430</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>(20)</u>	<u>0</u>	<u>(20)</u>
Fund Balances:					
July 1, 2005	<u>0</u>	<u>0</u>	<u>20</u>	<u>0</u>	<u>20</u>
June 30, 2006	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Displaced Students Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources		54,195	54,195	54,195	
Total Revenues	\$ 0	54,195	54,195	54,195	0
Expenditures:					
Instruction		54,195	54,195	(54,195)	
Total Expenditures	0	54,195	54,195	(54,195)	0
Excess (Deficiency) of Revenues over Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	\$ 0	0	0	0	0

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

MOUND BAYOU PUBLIC 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MOUND BAYOU PUBLIC SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 23,013
Child nutrition cluster:		
School breakfast program	10.553	88,444
National school lunch program	10.555	283,745
Summer food service program for children	10.559	17,404
Total child nutrition cluster		<u>389,593</u>
Community facilities loans and grants	10.766	<u>92,000</u>
Total U.S. Department of Agriculture		<u>504,606</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	31,523
Total Federal Communications Commission		<u>31,523</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	582,345
Impact aid - facilities maintenance	84.040	42,239
Vocational education - basic grants to states	84.048	5,516
Safe and drug-free schools and communities - state grants	84.186	12,259
Eisenhower professional development state grants	84.281	7,523
Twenty-first century community learning centers	84.287	82,150
State grants for innovative programs	84.298	3,850
Education technology state grants	84.318	15,075
GEAR-UP MS	84.334	8,892
Rural education	84.358	22,701
Improving teacher quality - state grants	84.367	112,017
Hurricane education recovery	84.938	54,195
Total		<u>948,762</u>
Special education cluster:		
Special education - grants to states	84.027	179,280
Special education - preschool grants	84.173	19,389
Total special education cluster		<u>198,669</u>
Total passed-through Mississippi Department of Education		<u>1,147,431</u>
Total U.S. Department of Education		<u>1,147,431</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	17,454
Total U.S. Department of Health and Human Services		<u>17,454</u>
Total for All Federal Awards		<u>\$ 1,701,014</u>

NOTES TO SCHEDULE

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 4,285,632	3,173,662	432,228	230,613	449,129
Other	<u>1,526,135</u>	<u>408,760</u>	<u>175,001</u>	<u>254</u>	<u>942,120</u>
Total	<u>\$ 5,811,767</u>	<u>3,582,422</u>	<u>607,229</u>	<u>230,867</u>	<u>1,391,249</u>
Total number of students*	<u>646</u>				
Cost per student	<u>\$ 8,997</u>	<u>5,546</u>	<u>940</u>	<u>357</u>	<u>2,154</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 function 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 and Administrative.

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2006, which collectively comprise the Mound Bayou Public School District's basic financial statements and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgment, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Findings 06-1, 06-2, 06-3 and 06-4.

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 matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider Finding 06-1 to be a material weakness.

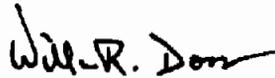
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated January 23, 2008, 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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 23, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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
Mound Bayou Public School District

Compliance

We have audited the compliance of the Mound Bayou Public 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 its major federal program for the year ended June 30, 2006. The school district's major federal program is 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 its major federal program 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, Mound Bayou Public School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

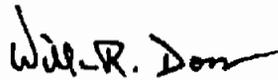
The management of the Mound Bayou Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school 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 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, 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 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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 23, 2008

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Superintendent and School Board
Mound Bayou Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2006, which collectively comprise Mound Bayou Public School District's basic financial statements and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 \$14,362 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Depositories Should Be Selected in Accordance with State Statute

Finding

Section 37-7-333, Miss. Code Ann. (1972), requires notification, by publication, be given by the school board, to the financial institutions which desire to be the depositories of school district funds that bids will be received from financial institutions at any regular meeting subsequent to the board's regular December meeting but prior to the regular May meeting. The bids of the financial institutions may be received by the school board at some meeting subsequent to the regular May meeting, but no later than the regular June meeting. The selection by the school board of the depository or depositories shall be effective on July 1 of each year. Section 37-7-333, Miss. Code Ann. (1972), further requires school boards to advertise and accept bids for depositories, no less than once every three years, when the board determines that it can obtain a more favorable rate of interest and less administrative processing.

Our examination of the school district's compliance with Section 37-7-333, Miss. Code Ann. (1972) revealed the following noncompliance:

- A. The school district's advertisement for depositories for the period July 2004 through June 30, 2007, was published in the newspaper on May 28, June 4 and June 11, 2003, which was not the proper time frame for notification as specified in state law.
- B. The school district received a bid from a depository dated January 22, 2004, and the approval of this depository was confirmed in the February 18, 2004, board minutes. The bid did not contain information concerning interest rates as required by state law. It was also noted that during the year under audit, the school district had funds on deposit at an additional depository that was not approved in the board minutes.

The district did not follow proper bid procedures in bidding their depositories as required by Section 37-7-333, Miss. Code Ann. (1972), by advertising for bids during the improper time frame, not noting in the board minutes that the board had determined that the district was obtaining a more favorable rate of interest and by having funds on deposit at a depository which was not approved by the board.

Recommendation

We recommend that the district abide by Section 37-7-333, Miss. Code Ann. (1972), when obtaining bids for depositories.

School District's Response

The school district will make every assurance to comply with Section 37-7-333, Miss. Code Ann. (1972), by obtaining bids for depositories in the time frame set by this code.

2. Budget Limitations Related to Administrative Costs Should Be Observed

Finding

Section 37-61-9(4), Miss. Code Ann. (1972), states that there shall be imposed limitations on budgeted expenditures for certain administration costs in an amount not greater than \$150,000 plus four percent of the budgeted expenditures of all school districts for the year.

During our examination of the budget, we noted that the district's actual administrative cost exceeded the limitation by \$50,953. The district's actual administrative costs were \$432,228. The administrative cost limitation was \$381,275.

Recommendation

We recommend the district comply with Section 37-61-9(4), Miss. Code Ann. (1972), which limits the budget on administrative expenditures.

School District's Response

The district has every intent on following Section 37-61-9(4), Miss. Code Ann. (1972), however, due to findings regarding segregation of duties in financial compliance, we need to hire additional employees and according to this finding we employ to many employees.

3. Purchasing Statutes Should Be Followed

Finding

During the fiscal year audited, Section 31-7-13, Miss. Code Ann. (1972), allowed purchases involving an expenditure exceeding \$3,500 but not more than \$15,000, exclusive of freight and shipping charges to be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids were obtained. This section also states that if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and a narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid.

During our test work of internal controls on 52 expenditures totaling \$611,622, the following items were noted:

- A. The district purchased seven air conditioners, in the amount of \$4,718, without accepting the lowest quote. The district received three quotes and accepted the second lowest quote. As required by state law, there was no documentation or notation in the board minutes supporting the district's decision to accept a quote that wasn't the lowest as required by state law.
- B. The district paid a contractor \$10,830 for roof repairs at the high school after obtaining only one quote for the repairs.

Inadequate controls over adherence to state purchasing laws resulted in this noncompliance.

Purchases being made without proper bids being obtained could result in the district not efficiently managing public funds.

Recommendation

We recommend that the district comply with Section 31-7-13, Miss. Code Ann. (1972).

School District's Response

The district has, on the most part, followed Section 31-7-13, Miss. Code Ann. (1972), but by some error, we negated to place in the minutes two urgent purchases.

4. All Certified Employees Compensation Should Be Board Approved

Finding

Section 37-9-23, Miss. Code Ann. (1972), states that the superintendent of the school district shall enter into a contract with certified employees of the district, subsequent to their approval by the school board. This section also states that the amount of the contract shall be the amount which shall have been fixed and determined by the school board.

During our test work of 29 payroll expenditures, we noted that the salary of seven certified employees was not approved in the board minutes. The January 2006, board minutes included an addendum to the June and July 2005, board minutes listing the employees and their salary. This addendum was not noted in the January 2006, board minutes thus the salaries were never legally approved.

Inadequate controls over adherence to state laws resulted in this noncompliance.

Failure to obtain board approval for rates of pay could result in improper compensation of employees.

Recommendation

We recommend the district implement internal controls to ensure that all certified employees and their respective salaries are approved in the board minutes.

School District's Response

The district is fully aware of this error which occurred with school board minutes and we have addressed the issue with the preparer of the minutes to ensure that each employee and their respective salary is recorded in the minutes after board approval has been made.

5. All Non-certified Employees Rates of Pay Should Be Board Approved

Finding

Section 37-7-301(w), Miss. Code Ann. (1972), states that the school board has the power, authority and duty to employ all non-certified employees and to fix their duties and compensation pursuant to the recommendation of the superintendent of the school district.

During our test work of 29 payroll expenditures, we noted that the rate of compensation of ten non-certified employees was not approved in the board minutes. The January 2006, board minutes included an addendum to the June and July 2005, board minutes listing the employees and their rate of compensation. This addendum was not noted in the January 2006, board minutes thus their rate of compensation was never properly approved.

Inadequate controls over adherence to state laws resulted in this noncompliance.

Failure to obtain board approval for rates of pay could result in improper compensation of employees.

Recommendation

We recommend the district implement internal controls to ensure that all non-certified employees and their respective pay rates are approved in the board minutes.

School District's Response

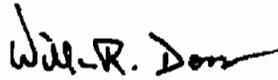
The district is fully aware of this error which occurred with school board minutes and we have addressed the issue with the preparer of the minutes to ensure that each employee and their respective salary is recorded in the minutes after board approval has been made.

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

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.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 23, 2008

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC 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 weakness(es) identified? | Yes |
| 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 program: | Unqualified |
| 5. | Internal control over major program: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program:
Title I grants to local educational agencies
CFDA #84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | 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

Material Weakness

06-1. Segregation of Duties Pertaining to Cash Should Be Improved

Finding

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

During our test of internal controls, we noted that the business manager performed the following functions in the cash receipts/revenue cycle which indicated a lack of segregation of duties:

- A. Receipted cash;
- B. Prepared the deposits;
- C. Posted the receipts into the financial accounting system; and,
- D. Reconciled the bank statements.

Good internal controls require duties to be segregated to prevent both the initiation and authorization of an entire transaction by one individual.

The failure to adequately segregate duties increases the risk that unauthorized or inappropriate transactions could be processed and not be detected in a timely manner.

Recommendation

The district should revise its system of cash receipts/revenue functions, whereby, duties would be segregated to the greatest extent possible and where segregation is not possible, compensating controls be established.

Reportable Conditions Not Considered to Be Material Weaknesses

06-2. Controls Should Be Strengthened Surrounding the Purchasing/Expenditure Function

Finding

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and reporting of all funds.

During our test work of 52 expenditures totaling \$611,622, we noted the following control weaknesses:

- A. Three checks totaling \$20,863, for the purchase of stool tops, baseball equipment and computers, did not have signed supporting documentation to denote the receipt of the goods.
- B. The supporting documentation provided by the school district for four food service purchases totaling \$24,278 did not include purchase orders.

These weaknesses resulted from inadequate internal controls surrounding the expenditure and disbursement cycle.

Inadequate internal controls surrounding the expenditures and disbursement cycle could result in unauthorized or improper expenditures.

Recommendation

We recommend the district implement stronger internal controls to ensure that all invoices are signed to denote the receipt of goods purchased and to ensure that purchase orders are completed for expenditures made and maintained.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

06-3. Payroll Expenditures Should Be Supported by Adequate Documentation

Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented.

During our tests of internal controls related to 28 payroll expenditures, we found that the supporting documentation obtained for eight nonexempt employees could not be reconciled to the actual amount of wage paid to the employee. The documentation was incomplete or was not used to calculate the amount of salary an employee had earned. We also noted that four of the personnel files examined did not include cafeteria enrollment forms and other deduction forms to support amounts being deducted from the employees' pay.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation and deductions were withheld from payroll checks without documented authorization.

Inadequate payroll deduction documentation and payment of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures. Also, all payroll deduction forms should be maintained in the employees' personnel files.

06-4. Land Owned by the School District Should Be Recorded on the General Ledger

Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records, which includes ensuring that assets owned by the district are properly included in the accounting records.

During our tests of capital assets, we noted that the school district had not recorded any land on the general ledger. After further inquiry, the district provided supporting documentation which indicated the school district did own land that should have been recorded on the general ledger.

This situation represents a weakness in internal controls over the recording of capital assets.

Asset not being recorded on the general ledger could result in a misstatement of the financial statements.

Recommendation

The district should take steps to obtain documentation of all land owned by the district, determine the proper valuation of the land and record the proper amount on the general ledger of the school district.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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

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.

MOUND BAYOU PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

MOUND BAYOU PUBLIC SCHOOL DISTRICT

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MOUND BAYOU PUBLIC SCHOOL DISTRICT

201 Greene Street
Mound Bayou, Mississippi 38762
PHONE: (662) 741-2555
FAX: (662) 741-2726

SUPERINTENDENT
William Crockett

January 29, 2008



Financial and Compliance Audit Division

As required by Section _____ .315(b) of OMB Circular A-133, the Mound Bayou Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
06-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Mr. William Crockett Title: Superintendent Phone Number: (662) 741-2555</p> <p>b. Corrective Action Planned:</p> <p>The business manager has been incorrectly identified as the preparer of deposits. However, the district superintendent has begun verifying and signing off on all bank reconciliations.</p> <p>c. Anticipated Completion Date:</p> <p>January 31, 2008.</p>
06-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Mr. William Crockett Title: Superintendent Phone Number: (662) 741-2555</p> <p>b. Corrective Action Planned:</p>

The district requires signatures on packaging slips; however we will ensure that this policy is implemented by introducing a new receiving report to accompany the original packaging slip. The food service department is now required to print out online orders so that they can be attached to a purchase order. Please note that all claims have a purchase order, but some are not printed out and attached to bills.

c. Anticipated Completion Date:

January 31, 2008.

06-03

a. Name of Contact Person Responsible for Corrective Action

Name: Mr. William Crockett
Title: Superintendent
Phone Number: (662) 741-2555

b. Corrective Action Planned:

The district has begun to attach all additional salaries approved by board in each personnel record. However, all pay records have detailed documentation to substantiate reasons for additional payments located in monthly payroll folders.

c. Anticipated Completion Date:

June 30, 2008.

06-04

a. Name of Contact Person Responsible for Corrective Action

Name: Mr. William Crockett
Title: Superintendent
Phone Number: (662) 741-2555

d. Corrective Action Planned:

The district has obtained all documentation of all land owned by the district, however due to the value/cost of the land at the time there were no tax assessor records to indicate the value of the land. At the time of the audit no information could be obtained from the assessor to determine the true value of the land.

e. Anticipated Completion Date:

June 30, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "William Crockett". The signature is fluid and cursive, with a large initial "W" and a long horizontal stroke at the end.

William Crockett,
Superintendent