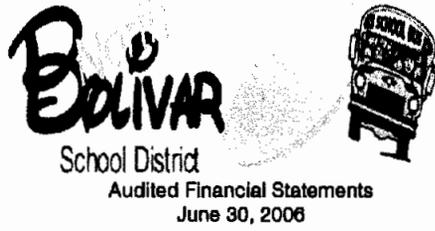




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**J.E. Fortenberry, III, PC**  
Certified Public Accountant

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FINANCIAL AUDIT REPORT

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

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

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

Superintendent and School Board  
North Bolivar School District

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2006 on my consideration of the North Bolivar School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedule and corresponding notes on pages 44 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Bolivar 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.



J.E. Fortenberry, III, P.C.  
November 28, 2006

Certified Public Accountant

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of North Bolivar School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets decreased \$123,734, which represents a 11% decrease from fiscal year 2005.
- General revenues account for \$6,720,136. This amount was greater than the general revenues for the year 2005, which consisted of \$6,410,772, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,255,584 or 25.1% of total revenues compared to \$1,815,277 in 2005.
- The district had \$9,099,454 in expenses, amount that increased when compared with the \$7,551,733 in expenses for the prior year; only \$2,255,584 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$6,720,136 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,012,933 in revenues and \$5,078,060 in expenditures. In 2005 the General Fund had \$5,107,297 in revenues and \$4,483,251 in expenditures. The General Fund's fund balance decreased by \$161,005 due primarily to an decrease in revenues from local sources.
- Capital assets, net of accumulated depreciation, increased by \$20,608 due to the acquisition of equipment.
- Long-term debt decreased by \$183,838.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 23 of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-42 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on page 44 - 48 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 50 and 51 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

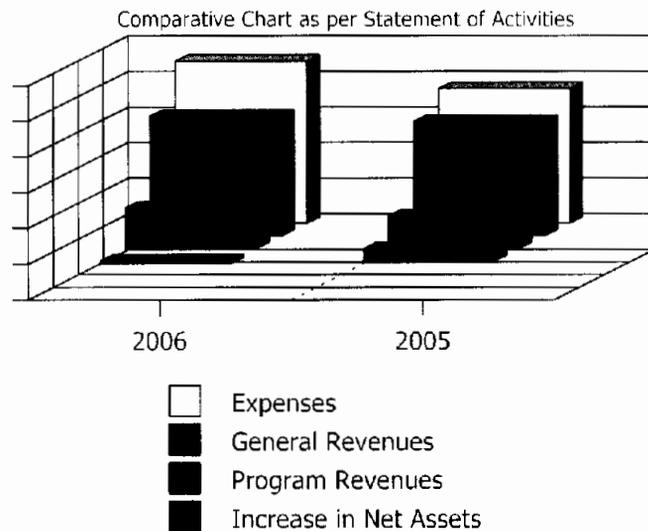
**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$960,071 as of June 30, 2006.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and 2005:

	2006	2005	Percentage Change
<b>Assets</b>			
Current assets	\$ 2,303,628	2,599,036	-11%
Capital assets, net	1,339,768	1,319,160	2%
<b>Total assets</b>	<b>3,643,396</b>	<b>3,918,196</b>	<b>-7%</b>
<b>Liabilities</b>			
Current liabilities	498,648	465,876	7%
Long-term liabilities	2,184,677	2,368,515	-8%
<b>Total liabilities</b>	<b>2,683,325</b>	<b>2,834,391</b>	<b>-5%</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(270,232)	(380,840)	-29%
Restricted	1,002,295	1,073,338	-7%
Unrestricted	228,008	391,307	-42%
<b>Total Net Assets</b>	<b>\$ 960,071</b>	<b>1,083,805</b>	<b>-11%</b>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$8,975,720. The total cost of all programs and services was \$9,099,454. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

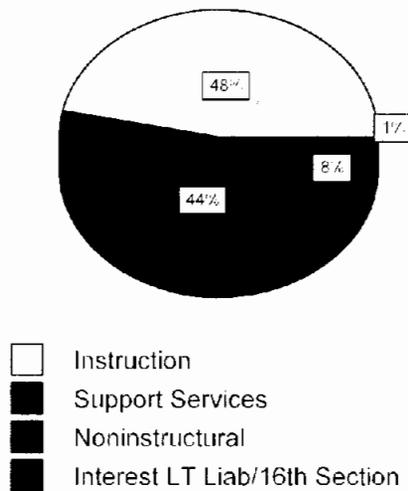


	2006	2005	Percentage Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 57,909	65,934	-12%
Operating Grants and Contributions	2,158,046	1,709,714	26%
Capital Grants and Contributions	39,629	39,629	0%
Total Program Revenues	2,255,584	1,815,277	24%
<b>General Revenues</b>			
Property Taxes	830,837	823,203	1%
Unrestricted Grants and Contributions	5,658,263	5,230,797	8%
Unrestricted Investment Earnings	7,543	41,243	-82%
Sixteenth Section Sources	130,034	130,883	-1%
Other	93,459	184,646	-49%
Total General Revenues	6,720,136	6,410,772	5%
<b>Total revenues</b>	<b>8,975,720</b>	<b>8,226,049</b>	<b>9%</b>
<b>Expenses</b>			
Instruction	4,249,824	4,123,826	3%
Support services	4,000,307	2,753,075	45%
Non-instructional	732,247	554,702	32%
Interest on long-term liabilities	97,760	102,587	-5%
Sixteenth section	19,316	17,543	10%
<b>Total expenses</b>	<b>9,099,454</b>	<b>7,551,733</b>	<b>20%</b>
Increase (Decrease) in net assets	(123,734)	674,316	-118%
Net Assets, July 1	1,083,805	409,489	165%
Prior Period Adjustment	-	-	0%
Net Assets, June 30	\$ 960,071	1,083,805	-11%

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

	2006		2005	
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 4,249,824	4,123,826	(3,033,890)	(3,907,860)
Support Services	4,000,307	2,753,075	(3,450,763)	(1,640,896)
Non-Instructional	732,247	554,702	(242,141)	(67,570)
Sixteenth Section	19,316	17,543	(19,316)	(17,543)
Interest on Long-Term Liabilities	97,760	102,587	(97,760)	(102,587)
	\$ 9,099,454	7,551,733	(6,843,870)	(5,736,456)

Expenses as per Statement of Activities



- Net cost of governmental activities \$(6,843,870), was financed by general revenue, which is made up of primarily property taxes \$830,837 and state revenue \$4,410,986.
- Federal revenues accounted for \$1,247,277 of funding.
- Investment earnings accounted for \$7,543 of funding.

## FINANCIAL ANALYSIS OF THE DISTRICTS 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 \$1,836,959, a decrease of \$332,579. \$1,662,734 or 91% 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 \$174,225 or 9% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$161,005. The fund balance of Other Governmental Funds showed a decrease of \$248,090.

The fund balance for the Sixteenth Section Interest Fund showed an increase in fund balance of \$110,675.

## BUDGETARY HIGHLIGHTS

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

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

Budget amounts for revenue from state sources was reduced during the year because of disbursements made by the State of Mississippi. Expenditures were decreased by the District in salary, supplies, and services in order to eliminate a deficit balance on the District's Statement of Net Assets at the beginning of the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, and the Sixteenth Section Interest Fund 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 \$2,465,373, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase from the previous year. Total accumulated depreciation as of June 30, 2006 was \$1,125,605 and total depreciation expense for the year was \$51,517, resulting in total net assets of \$1,339,768.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 37,691	37,691	0%
Buildings	1,039,323	1,064,069	-2%
Mobile equipment	251,631	206,447	22%
Furniture and equipment	11,123	10,953	2%
	\$ 1,339,768	1,319,160	2%

Additional information of the District's capital assets can be found in Note 5 on page 38 of this report.

**Debt Administration.** At June 30, 2006, the District had \$0 in general obligation bonds outstanding and \$2,184,677 in other long-term debt outstanding, of which \$170,326 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 6 on page 39 of this report.

	2006	2005	Percentage Change
Limited obligation bonds payable	\$ 1,610,000	1,700,000	-5%
Three Mill notes payable	414,000	465,000	-11%
Other loans payable	116,008	137,101	-15%
Compensated absences	44,669	66,414	-33%
	\$ 2,184,677	2,368,515	-8%

### **CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years and have worked to maintain a low tax millage.

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

If you have questions about this report, contact the Superintendent's Office of the North Bolivar School District, P.O. Box 28, Shelby, MS 38774.

FINANCIAL STATEMENTS

**NORTH BOLIVAR SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<i>Cash and cash equivalents</i>	\$ 1,911,205
<i>Cash with fiscal agents</i>	160
<i>Investments</i>	50,493
<i>Due from other governments</i>	242,793
<i>Inventories and prepaid items</i>	7,736
<i>Restricted assets</i>	91,241
<i>Capital assets, not being depreciated</i>	
<i>Land</i>	37,691
<i>Capital assets, net of depreciation</i>	
<i>Buildings</i>	1,039,323
<i>Mobile equipment</i>	251,631
<i>Furniture and equipment</i>	11,123
<i>Total Assets</i>	<u>3,643,396</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	182,506
<i>Due to other governments</i>	284,163
<i>Interest payable on long-term liabilities</i>	31,979
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	95,000
<i>Non-capital related liabilities</i>	75,326
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,515,000
<i>Non-capital related liabilities</i>	499,351
<b>Total Liabilities</b>	<u>2,683,325</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	(270,232)
Restricted For:	
School - based activities	818,262
Capital improvements	11,884
Debt service	147,923
Unemployment benefits	19,059
Forestry improvements	110
Sixteenth section	
Expendable	183
Nonexpendable	4,874
Unrestricted	228,008
<b>Total Net Assets</b>	<u>\$ 960,071</u>

The accompanying notes are an integral part of this statement.

## NORTH BOLIVAR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					
Instruction	4,249,824	40,949	1,135,356	39,629	(3,033,890)
Support services	4,000,307	--	549,544	--	(3,450,763)
Noninstructional	732,247	16,960	473,146	--	(242,141)
Sixteenth section	19,316	--	--	--	(19,316)
Interest on long-term liabilities	97,760	--	--	--	(97,760)
Total Primary Government	<u>\$ 9,099,454</u>	<u>\$ 57,909</u>	<u>\$ 2,158,046</u>	<u>\$ 39,629</u>	<u>(6,843,870)</u>
General Revenues:					
Taxes:					
General purpose levies					799,754
Debt purpose levies					31,083
Unrestricted grants and contributions:					
State					4,410,986
Federal					1,247,277
Unrestricted investment earnings					7,543
Sixteenth section sources					130,034
Other					93,459
Total general revenues					<u>6,720,136</u>
Change in Net Assets					<u>(123,734)</u>
Net Assets - Beginning					<u>1,083,805</u>
Net Assets - Ending					<u>\$ 960,071</u>

The accompanying notes are an integral part of this statement.

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**NORTH BOLIVAR SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	General Fund	21st Century Learning Center
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 968,830	\$ 25,997
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	47,198	42,719
<i>Due from other funds</i>	84,160	--
<i>Inventories and prepaid items</i>	--	--
<b>Total Assets</b>	<b>\$ 1,100,188</b>	<b>\$ 68,716</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<i>Liabilities:</i>		
<i>Accounts payable and accrued liabilities</i>	\$ 58,225	\$ 102,875
<i>Due to other funds</i>	209,558	--
<i>Total Liabilities</i>	<u>267,783</u>	<u>102,875</u>
<i>Fund balances:</i>		
<i>Reserved For:</i>		
<i>Inventory</i>	--	--
<i>Debt Service funds</i>	--	--
<i>Unemployment</i>	--	--
<i>Forestry</i>	--	--
<i>Permanent funds</i>	--	--
<i>Unreserved, undesignated, reported in:</i>		
<i>General fund</i>	832,405	--
<i>Special Revenue funds</i>	--	(34,159)
<i>Capital Projects funds</i>	--	--
<i>Permanent funds</i>	--	--
<b>Total Fund Balances</b>	<u>832,405</u>	<u>(34,159)</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,100,188</b>	<b>\$ 68,716</b>

The accompanying notes are an integral part of this statement.

EXHIBIT C

<u>Sixteenth Section Interest Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 410,592	\$ 597,027	\$ 2,002,446
-	160	160
-	50,493	50,493
-	152,876	242,793
-	-	84,160
-	7,736	7,736
<u>\$ 410,592</u>	<u>\$ 808,292</u>	<u>\$ 2,387,788</u>

\$ -	\$ 21,406	\$ 182,506
-	158,765	368,323
<u>-</u>	<u>180,171</u>	<u>550,829</u>

-	7,736	7,736
-	142,446	142,446
-	19,059	19,059
-	110	110
-	4,874	4,874
-	-	832,405
410,592	441,829	818,262
-	11,884	11,884
-	183	183
<u>410,592</u>	<u>628,121</u>	<u>1,836,959</u>
<u>\$ 410,592</u>	<u>\$ 808,292</u>	<u>\$ 2,387,788</u>

**NORTH BOLIVAR SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 1,836,959
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,339,768
Liabilities due in one year reported in SNA but not in the funds	(170,326)
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,515,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(31,979)
Payables for notes which are not due in the current period are not reported in the funds.	(362,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(42,436)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(94,915)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 960,071</u>

The accompanying notes are an integral part of this statement.

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**NORTH BOLIVAR SCHOOL DISTRICT**

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

	General Fund	21st Century Learning Center
Revenue:		
Local sources	\$ 924,750	\$ --
State sources	4,085,762	--
Federal sources	2,421	516,668
Sixteenth section sources	--	--
Total revenues	<u>5,012,933</u>	<u>516,668</u>
Expenditures:		
Instruction	2,763,950	56,536
Support services	2,184,495	493,777
Noninstructional services	108,522	514
Sixteenth section	--	--
Debt service:		
Principal	21,093	--
Interest	--	--
Total expenditures	<u>5,078,060</u>	<u>550,827</u>
Excess (deficiency) of revenues (over) expenditures	(65,127)	(34,159)
Other financing sources (uses):		
Operating transfers in	18,412	--
Operating transfers out	(114,290)	--
Total other financing sources (uses)	<u>(95,878)</u>	<u>--</u>
Net change in fund balance	(161,005)	(34,159)
Fund Balances:		
July 1, 2005	993,410	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2006	<u>\$ 832,405</u>	<u>\$ (34,159)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 64,998	\$ 989,748
--	567,251	4,653,013
--	2,683,836	3,202,925
129,991	43	130,034
<u>129,991</u>	<u>3,316,128</u>	<u>8,975,720</u>
--	1,398,313	4,218,799
--	1,406,042	4,084,314
--	616,981	726,017
19,316	--	19,316
--	141,000	162,093
--	97,760	97,760
<u>19,316</u>	<u>3,660,096</u>	<u>9,308,299</u>
110,675	(343,968)	(332,579)
--	128,652	147,064
--	(32,774)	(147,064)
<u>--</u>	<u>95,878</u>	<u>--</u>
110,675	(248,090)	(332,579)
299,917	877,289	2,170,616
--	(1,078)	(1,078)
<u>\$ 410,592</u>	<u>\$ 628,121</u>	<u>\$ 1,836,959</u>

**NORTH BOLIVAR SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ (332,579)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	72,125
The depreciation of capital assets used in governmental activities is not reported in the funds.	(51,517)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	90,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	72,093
(Increase) decrease in accrued interest from beginning of period to end of period	5,477
Compensated absences reported as amount earned in SOA but as amount paid in the funds.	21,745
Change in inventory is adjustment to fund balance in funds but affects expense in the SOA	<u>(1,078)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (123,734)</u>

The accompanying notes are an integral part of this statement.

**NORTH BOLIVAR SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2006**

ASSETS	Agency Funds
Assets:	
<i>Cash and other deposits</i>	\$ 740
<i>Due from other funds</i>	284,163
<b>Total Assets</b>	<b>\$ 284,903</b>
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 284,163
<i>Due to student clubs</i>	740
<b>Total Liabilities</b>	<b>\$ 284,903</b>

The accompanying notes are an integral part of this statement.

**North Bolivar School District**

Notes to the Financial Statements  
June 30, 2006

## North Bolivar 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 reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

## North Bolivar School District

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

district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

### ***Fund Financial Statements:***

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

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

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

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so 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** - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

**Sixteenth Section Interest Fund**- This fund accounts for the financial resources used for and by sixteenth section interest.

## North Bolivar School District

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

21<sup>st</sup> Century Learning Center Fund - This fund the financial resources used for and by 21<sup>st</sup> Century Learning Center.

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

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

#### E. Encumbrances.

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

## North Bolivar School District

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

### 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 account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

### G. Investments.

The school district can invest its excess fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than twelve months when acquired. Investments are reported at fair value.

### H. Inventories and Prepaid Items.

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

## North Bolivar School District

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

	Capitalization <u>Policy</u>	Estimated <u>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 amounts will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

### J. Long-term Liabilities.

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

### K. Interfund Transactions and Balances.

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

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires 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 4 for details for interfund transactions, including receivables and payables at year-end.

### L. Equity Classifications.

## North Bolivar School District

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

### ***Government-Wide Financial Statements:***

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

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

### ***Fund Financial Statements:***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between 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 all 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 debt service - An account that represents that portion of fund balance in the Debt Service Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

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

Reserved for forestry improvements - An account that represents a portion of the fund balance that is legally restrict for improving sixteenth section forest lands.

Reserved for permanent fund purposes - An account that represent s a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school district for capital purposes.

### **M. Property Taxes.**

Ad valorem property taxes are levied by the governing authorities 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

## North Bolivar School District

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

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 the school district's policy. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so 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 resources only if the payable has matured, for example, an employee retires.

### (2) Changes in Accounting Standards.

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

### (3) Cash and Cash Equivalents, 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

## North Bolivar School District

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

State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (3), 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. Amount 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 \$2,002,446 and \$740 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$1,911,205 and Restricted Assets \$91,241. The Restricted Assets represent the investment and cash balance of the Sixteenth Section Principal funds (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$2,459,075.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, 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 \$2,459,075 was exposed to custodial credit risk.

### Cash with Fiscal Agents.

**North Bolivar School District**

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

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$160.

Investments.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Money Market Funds	\$ 50,493	A

*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 investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments, \$50,493 of underlying securities are held by the investment's counterparty, not in the name of the district.

*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:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
US Treasury Bills	\$ <u>50,493</u>	100%
	\$ <u>50,493</u>	

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental Funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$84,160	\$209,558
Other Governmental Funds:	0	158,765

**North Bolivar School District**

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

Agency funds:	<u>284,163</u>	<u>0</u>
Total Funds	<u>\$368,323</u>	<u>\$ 368,323</u>

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

B. Transfers In/Out

Governmental Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$18,412	\$114,290
Other Governmental Funds:	<u>128,652</u>	<u>32,774</u>
Total Funds	<u>\$147,064</u>	<u>\$147,064</u>

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

(5) Capital Assets.

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

	<u>Balance 7-1-2005</u>	<u>Addition</u>	<u>Retirement</u>	<u>Adjustments</u>	<u>Balance 6-30-2006</u>
<u>Non-depreciable capital assets:</u>					
Land	37,691				37,691
Construction in Progress	0				0
Total non-depreciable capital assets	<u>37,691</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,691</u>
<u>Depreciable capital assets:</u>					
Buildings	1,669,152				1,669,152
Mobile equipment	510,055	67,088			577,143
Furniture and equipment	176,350	5,037			181,387
Total depreciable capital assets	<u>2,355,557</u>	<u>72,125</u>	<u>0</u>	<u>0</u>	<u>2,427,682</u>
<u>Less accumulated depreciation for:</u>					
Buildings	605,083	24,746			629,829
Mobile equipment	303,608	21,904			325,512
Furniture and equipment	165,397	4,867			170,264
Total accumulated depreciation	<u>1,074,088</u>	<u>51,517</u>	<u>0</u>	<u>0</u>	<u>1,125,605</u>
Total depreciable capital assets, net	<u>1,281,469</u>	<u>20,608</u>	<u>0</u>	<u>0</u>	<u>1,302,077</u>
Governmental activities capital assets, net	<u>1,319,160</u>	<u>20,608</u>	<u>0</u>	<u>0</u>	<u>1,339,768</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 36,062

**North Bolivar School District**

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

Support Services	10,303
Non-Instructional	<u>5,152</u>
<b>Total depreciation expense</b>	<b>\$ <u>51,517</u></b>

(6) Long-term Liabilities and Other Obligations.

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

	Balance				Amounts due	
	7-01-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	within one year
A. Limited obligation bonds payable	1,700,000	0	90,000	0	1,610,000	95,000
B. Three mill notes payable	465,000	0	51,000	0	414,000	52,000
C. Other loans payable	137,101	0	21,093	0	116,008	21,093
D. Compensated absences payable	<u>66,414</u>	<u>0</u>	<u>21,745</u>	<u>0</u>	<u>44,669</u>	<u>2,233</u>
Total	\$ <u>2,368,515</u>	<u>0</u>	<u>183,838</u>	<u>0</u>	<u>2,184,677</u>	<u>170,326</u>

A. Limited Obligation Bonds Payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds	variable	6/24/98	2/01/18	<u>\$2,040,000</u>	<u>\$1,610,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 95,000	74,159	169,159
2008	95,000	69,053	164,053
2009	105,000	64,553	169,553
2010	105,000	59,775	164,775
2011	115,000	54,715	169,715
2012-2016	655,000	185,041	840,041
2017-2018	<u>440,000</u>	<u>25,925</u>	<u>465,925</u>
Total	<u>\$1,610,000</u>	<u>\$533,221</u>	<u>\$2,143,221</u>

**North Bolivar School District**

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

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

This debt will be retired from the MAEP retirement fund.

**B. Three Mill-Ten Year Notes Payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three Mill Ten Yr. Note	3.84%	04/15/03	05/01/13	<u>\$560,000</u>	<u>\$414,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 52,000	15,898	67,898
2008	54,000	13,901	67,901
2009	57,000	11,827	68,827
2010	60,000	9,638	69,638
2011	61,000	7,334	68,334
2012-2013	<u>130,000</u>	<u>7,565</u>	<u>137,565</u>
Total	<u>\$414,000</u>	<u>\$66,163</u>	<u>\$480,163</u>

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

**C. Other Loans Payable**

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

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
EPA Loan	N/A	05/01/98	05/01/13	<u>\$379,668</u>	<u>\$116,008</u>

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

## North Bolivar School District

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

Year Ending <u>June 30,</u>	<u>Principal</u>
2007	\$21,093
2008	21,093
2009	21,093
2010	21,093
2011	21,093
2012-2013	<u>10,543</u>
Total	<u>\$116,008</u>

This debt will be retired from the general fund.

### D. Compensated Absences.

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 which employees' salaries were paid.

### (7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending 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 \$436,832, \$329,750 and \$395,032 respectively, which equaled the required contributions for each year.

### (8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held

## North Bolivar School District

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

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

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2007	\$ 93,766
2008	76,302
2009	44,103
2010	44,103
Total	<u>\$258,274</u>

(9) Risk Management.

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

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH BOLIVAR SCHOOL DISTRICT**

Exhibit 1

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
<b>Revenues:</b>					
Local sources	\$ 857,125	926,927	924,750	69,802	(2,177)
State sources	4,306,199	4,085,762	4,085,762	(220,437)	0
Federal sources			2,421	0	2,421
<b>Total Revenues</b>	<b>5,163,324</b>	<b>5,012,689</b>	<b>5,012,933</b>	<b>(150,635)</b>	<b>244</b>
<b>Expenditures:</b>					
Instruction	2,864,771	2,763,953	2,763,950	100,818	3
Support services	1,902,996	2,182,254	2,184,495	(279,258)	(2,241)
Noninstructional services	30,500	108,279	108,522	(77,779)	(243)
Facilities acquisition and construction				0	0
Debt Service					
Principal	21,093	21,093	21,093	0	0
Interest				0	0
<b>Total Expenditures</b>	<b>4,819,360</b>	<b>5,075,579</b>	<b>5,078,060</b>	<b>(256,219)</b>	<b>(2,481)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>343,964</b>	<b>(62,890)</b>	<b>(65,127)</b>	<b>105,584</b>	<b>(2,237)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	58,183	90,908	18,412	32,725	(72,496)
Transfers Out	(175,215)	(186,786)	(114,290)	(11,571)	72,496
<b>Total Other Financing Sources (Uses)</b>	<b>(117,032)</b>	<b>(95,878)</b>	<b>(95,878)</b>	<b>21,154</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>226,932</b>	<b>(158,768)</b>	<b>(161,005)</b>	<b>126,738</b>	<b>2,237</b>
<b>Fund Balances:</b>					
July 1, 2005			993,410	0	993,410
Prior period adjustments (Note )					0
July 1, 2005, as restated	0	0	993,410	0	993,410
Residual equity transfer in (out)	0	0	0	0	0
<b>June 30, 2006</b>	<b>\$ 226,932</b>	<b>(158,768)</b>	<b>832,405</b>	<b>126,738</b>	<b>991,173</b>

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

**NORTH BOLIVAR SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 21st Century Learning Center  
 For the year ended June 30,2006

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$			-	-
Federal sources		516,667	516,668	516,667	1
Total Revenues		<u>516,667</u>	<u>516,668</u>	<u>516,667</u>	<u>1</u>
<b>Expenditures:</b>					
Instruction		56,536	56,536	(56,536)	-
Support services		464,017	493,777	(464,017)	(29,760)
Noninstructional services		514	514	(514)	-
Total Expenditures		<u>521,067</u>	<u>550,827</u>	<u>(521,067)</u>	<u>(29,760)</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>-</u>	<u>(34,159)</u>	<u>1,037,734</u>	<u>(29,759)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In				-	-
Transfers Out				-	-
Total Other Financing Sources (Uses)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances		<u>-</u>	<u>(34,159)</u>	<u>1,037,734</u>	<u>29,759</u>
<b>Fund Balances:</b>					
July 1, 2005			-	-	-
Prior period adjustments (Note )					
July 1, 2005, as restated			-	-	-
Residual equity transfer in (out)			-	-	-
June 30, 2006	\$	<u>-</u>	<u>(34,159)</u>	<u>1,037,734</u>	<u>(29,759)</u>

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

**NORTH BOLIVAR SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the year ended June 30, 2006

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth Section sources		129,992	129,991	129,992	(1)
Total Revenues	-	129,992	129,991	129,992	(1)
<b>Expenditures:</b>					
Sixteenth Section		19,316	19,316	19,316	-
Total Expenditures	-	19,316	19,316	19,316	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	-	110,676	110,675	110,676	(1)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				-	-
Operating transfers out				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
<b>Net Change in Fund Balances</b>	-	110,676	110,675	110,676	(1)
<b>Fund Balances:</b>					
July 1, 2005			299,917	-	299,917
Prior period adjustments (Note )					
July 1, 2005, as restated	-	-	299,917	-	299,917
<b>Increase (Decrease) in reserve for inventory</b>	-	-		-	-
<b>Residual equity transfer in (out)</b>				-	-
June 30, 2006	\$ -	110,676	410,592	110,676	299,916

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## North Bolivar 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.

SUPPLEMENTAL INFORMATION

**North Bolivar School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2006**

**Schedule I**

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE</b>		
Direct Loan:		
Distance Learning and Telemedicine Loans and Grants	10.855	\$405,091
Total Direct Loan U.S. Department of Agriculture		<u>405,091</u>
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	28,409
Child Nutrition Cluster:		
School Breakfast Program	10.553	138,469
National School Lunch Program	10.555	306,268
Total Child Nutrition cluster		<u>444,737</u>
Total passed-through the MDE		<u>473,146</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>878,237</u>
<b>FEDERAL COMMUNICATION COMMISSION</b>		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	181,536
Total Federal Communication Commission		<u>181,536</u>
<b>U. S. DEPARTMENT OF EDUCATION/</b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	766,578
Vocational Education- Basic Grants to States	84.048	21,365
Safe and Drug-Free Schools and Communities - State Grants	84.186	13,404
Twenty-first century community learning centers	84.287	516,667
State Grants for Innovative Programs	84.298	3,138
Education Technology State Grants	84.318	214,610
Comprehensive School Reform Demonstration	84.332	65,000
Rural Education	84.358	20,500
Improving Teacher Quality State Grants	84.367	136,370
Hurricane Education Recovery	84.938	4,485
Special Education Cluster:		
Special Education - Grants to States	84.027	218,483
Special Education - Preschool Grants	84.173	12,568
Total Special Education Cluster		<u>231,051</u>
Total passed-through the MDE		<u>1,993,168</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,993,168</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed through the Mississippi Department of Health and Human Services:		
Temporary Assistance for Needy Families	93.558	143,982
Total passed-through the MS Dept. Health and Human Services		<u>143,982</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>143,982</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>		
Passed through the Mississippi Department of Education:		
Learn and Serve America - School and Community Based Program	94.004	6,000
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		<u>6,000</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$3,202,923</u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 5,543,958	4,239,059	446,856	319,483	538,560
Other	3,764,341	1,756,834	183,035	6,932	1,817,540
<b>Total</b>	<b>\$ 9,308,299</b>	<b>5,995,893</b>	<b>629,891</b>	<b>326,415</b>	<b>2,356,100</b>

Total number of students \* 805

Cost per student \$ 11,563 7,448 782 405 2,927

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)  
 General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)  
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)  
 Other - includes all expenditure functions not included in Instruction or Administration categories  
 includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Superintendent and School Board  
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2006, and have issued my report thereon dated November 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and other matters

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

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



J.E. Fortenberry, III, PC  
November 28, 2006

Certified Public Accountant

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

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

Superintendent and School Board  
North Bolivar School District

Compliance

I have audited the compliance of the North Bolivar School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the North Bolivar School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

**AICPA & MSCPA**

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

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

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



J.E. Fortenberry, III, PC  
November 28, 2006

Certified Public Accountant

**J.E. FORTENBERRY III, PC**

**Certified Public Accountant**

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

Superintendent and School Board  
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2006, which collectively comprise North Bolivar School District's basic financial statements and have issued my report thereon dated November 28, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States .

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$24,075 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 my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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



J.E. Fortenberry, III, PC  
November 28, 2006

Certified Public Accountant

**AICPA & MSCPA**

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**FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP**

**North Bolivar 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 general purpose financial statements: Unqualified.
2. Material noncompliance relating to the general purpose financial statements? No.
3. Internal control over financial reporting:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA # 10.553  
CFDA # 10.555
  - b. Title I Grants to Local Educational Agencies.  
CFDA# 84.010
  - c. Twenty-first century community learning centers  
CFDA# 84.287
  - d. Distance Learning and Telemedicine Loans and Grants  
CFDA # 10.855
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.

11. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

