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NEW ALBANY PUBLIC SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

NEW ALBANY PUBLIC SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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NEW ALBANY PUBLIC SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

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FINANCIAL AUDIT REPORT

Eaton, Babb & Smith

A Professional Association
Certified Public Accountants/Financial Consultants

INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
New Albany 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 New Albany Public School District as of and for the year ended June 30, 2006, which collectively comprise the New Albany Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New Albany 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 the 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 New Albany 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 5, 2007, on our consideration of the New Albany Public School District's internal control over financial reporting and on 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.

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The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 46 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 New Albany 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.

Eaton, Babb + Smith

Ripley, Mississippi
January 5, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEW ALBANY PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

The discussion and analysis of the New Albany Public School District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the 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 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 $539,120, which represents a 6.88% increase from fiscal year 2005. After meeting the needs of the students, the District was conservative with expenditures for FY 2006 in anticipation of state budget cuts.

- General revenues account for $12,482,331, or 73.87% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,415,788 or 26.13% of total revenues.

- The District had $16,358,999 in expenses; only $4,415,788 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $12,482,331 were adequate to provide for these programs.

- Among major funds, the General Fund had $12,144,814 in revenues and $11,654,660 in expenditures. The General Fund's fund balance decreased $128,367 over the prior year. This was due to meeting the needs of the students and reserving for the anticipation of capital building projects.

- Capital assets, net of accumulated depreciation, decreased by $315,207. This decrease was due primarily to the excess of depreciation over current year additions.

- Long-term liabilities decreased by $409,626. This decrease is due primarily to the annual payment on the general obligation bonds.

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, and non-instructional services.

The government-wide financial statements can be found on pages 19 - 20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 21 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 funds and activities are presented in separate statements on pages 25 and 26.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 43 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 special revenue fund. This required supplementary information can be found on pages 45 - 46 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 48 of this report. A schedule of instructional, administrative, and other expenditures for governmental funds as required by the Mississippi State Auditor's Office is on page 49.

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 $8,371,265 as of June 30, 2006, which represents a 6.88% increase from fiscal year 2005. (See Table 1.)

By far the largest portion of the District's net assets (52.75%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005:

Table 1
Condensed Statements of Net Assets

	2006	2005	Total Percentage Change 2005-2006
Current assets	$ 5,198,400	$ 4,900,542	6.08%
Capital assets, net	14,100,817	14,416,024	(2.19%)
Total Assets	**19,299,217**	**19,316,566**	**(.09%)**
Current liabilities	1,041,762	1,188,605	(12.35%)
Long-term debt outstanding	9,886,190	10,295,816	(3.98%)
Total Liabilities	**10,927,952**	**11,484,421**	**(4.85%)**
Net assets:			
Invested in capital assets, net of related debt	4,415,817	4,326,663	2.06%
Restricted	2,768,084	2,197,715	25.95%
Unrestricted	1,187,364	1,307,767	(9.21%)
Total Net Assets	**$ 8,371,265**	**$ 7,832,145**	**6.88%**

The following is a significant current year transaction that has had an impact on the Statement of Net Assets.

- The principal retirement of $409,593 of long term debt.

Changes in net assets. The District's total revenues increased 6.01% to $16,898,119. (See Table 2.) State revenues accounted for 52% of the District's revenue. (See Figure 1.) Another 18% came from operating grants and contributions, 20% from property taxes and the remainder from fees charged for services, interest earnings, federal revenue and other sources.

The total cost of all programs and services rose 4.82% to $16,358,999. The District's expenses are predominantly related to educating students 60%. (See Figure 2.) The $579,154 or 6.24% increase in instruction costs derives largely from salary increases for teachers and other educational staff.

Total revenues surpassed expenses, increasing net assets $539,120 over last year.

Table 2 shows the changes in net assets for fiscal year 2006 compared to fiscal year 2005:

Table 2
Changes in Net Assets

	2006	2005	Total Percentage Change 2005-2006
Revenues:			
Program revenues	$ 4,415,788	$ 4,237,379	4.21%
General revenues	12,482,331	11,702,342	6.67%
Total revenues	**16,898,119**	**15,939,721**	**6.01%**
Expenses:			
Instruction	9,857,861	9,278,707	6.24%
Support services	4,873,244	4,666,336	4.43%
Non-instructional	1,211,383	1,223,933	(1.03%)
Interest and other expenses on long-term liabilities	416,511	437,108	4.71%
Total expenses	**16,358,999**	**15,606,084**	**4.82%**
Increase (decrease) in net assets	**$ 539,120**	**$ 333,637**	**61.59%**

Figure 1
Sources of Revenues for Fiscal Year 2006

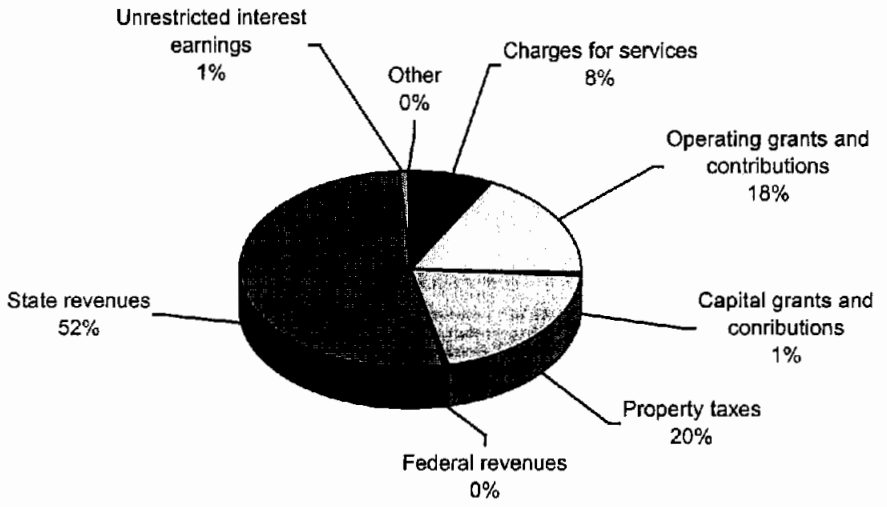
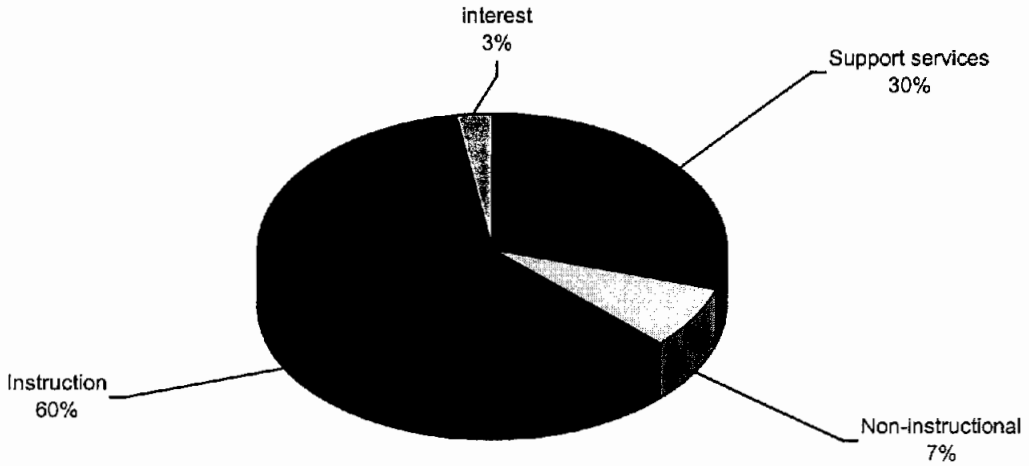


Figure 2
Expenses for Fiscal Year 2006



Governmental activities. Table 3 presents the cost of three major District functional activities: instruction, support services, and non-instructional. 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.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change	Net(Expense) Revenue		Percentage Change
	2006	2005	2005-2006	2006	2005	2005-2006
Instruction	9,857,861	$ 9,278,707	6.24%	$ (7,501,332)	$ (7,003,532)	7.11%
Support services	4,873,244	4,666,336	4.43%	(4,212,660)	(3,672,654)	14.70%
Non-instructional	1,211,383	1,223,933	(1.03%)	187,292	(255,411)	(173.33%)
Interest on long-term debt	416,511	437,108	4.71%	(416,511)	(437,108)	(4.71%)
Total expenses	**$16,358,999**	**$ 15,606,084**	**4.82%**	**$ (11,943,211)**	**$ (11,368,705)**	**5.05%**

- Net cost of governmental activities ($11,943,211) was financed by general revenue, which is made up primarily of property taxes of $3,434,757 and state revenue of $8,770,820.
- Interest earnings accounted for $134,102 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $4,190,342, an increase of $442,002 due primarily to the increase in a debt service sinking fund and capital projects fund. $1,968,681 or 46.98% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $2,221,661 or 53.02% is reserved or designated to indicate that it is not available for spending because it has already been committed for specified purposes.

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 $128,367. The fund balance of the 2001 Bond Repayment Fund showed a increase of $8,185. The fund balance for the Reserve for Capital Improvements Fund increased $234,658. The fund balance for the QZAB Repayment Fund showed an increase of $199,161. The fund balance of Other Governmental Funds showed an increase of $128,365.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for General Fund revenue from local sources was less than the local tax collections as a result of an expected shortfall that did not materialize.
- Budgeted amounts for state revenues were increased for retirement credits.
- Actual expenditures for maintenance and operations of school facilities were below budgeted levels.
- Budgeted amounts for operating transfers out from the General Fund were increased to reserve for future capital improvements.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District had invested $14,100,817 in a broad range of capital assets, including land, school buildings, buses, other school vehicles and furniture and equipment. (See Table 4.) This amount represents a net decrease of $315,210, or 2.19%, from the previous year. The decrease was mainly due to the excess of depreciation over current year additions. Total accumulated depreciation as of June 30, 2006 was $5,218,485 and total depreciation expense for the year was $466,706, resulting in total net assets of $14,100,817. Table 4 shows fiscal year 2006 compared to fiscal year 2005:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	2006	2005	Total Percentage Change 2005-2006
Land	$ 975,887	$ 975,887	0.00%
Construction in progress	65,342	-	100.00%
Buildings	11,907,412	12,195,799	(2.36%)
Building improvements	103,566	108,274	(4.35%)
Improvements other than buildings	399,805	418,843	(4.55%)
Mobile equipment	508,583	525,014	(3.13%)
Furniture and equipment	140,222	192,207	(27.05%)
Totals	**$ 14,100,817**	**$ 14,416,024**	**(2.19%)**

Additional information of the District's capital assets can be found in Note 5 on pages 35 – 36 of this report.

Debt Administration. At June 30, 2006, the District had $9,866,190 in general obligation bonds and other long-term liabilities outstanding, of which $435,758 is due within one year. This debt includes general obligation bonds of $8,285,000. Table 5 shows fiscal year 2006 compared to fiscal year 2005:

Table 5
Outstanding Long-Term Debt at June 30

	2006	2005	Total Percentage Change 2005-2006
General obligation bonds payable	8,285,000	8,655,000	(4.27%)
Qualified zone academy bonds payable	1,400,000	1,400,000	0.00%
Other loans payable	44,316	83,909	(47.19%)
Compensated absences payable	156,874	156,907	(.02%)
Totals	$ 9,886,190	$ 10,295,816	(3.98%)

Additional information of the District's long-term debt can be found in Note 6 on pages 36 - 38 of this report.

CURRENT ISSUES

The New Albany Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. In addition, the District'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.

Latest enrollment figures indicate that student enrollment in the District will increase one to two percent per year. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the New Albany Public School District, 301 Highway 15 North, New Albany, MS 38652.

FINANCIAL STATEMENTS

NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit A

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 3,832,578
Due from other governments	531,340
Accrued interest receivable	11,544
Other receivables, net	16,855
Inventories and prepaid items	29,486
Restricted assets	776,597
Capital assets, not being depreciated:	
Land	975,887
Construction in progress	65,342
Capital assets, net of accumulated depreciation:	
Buildings	11,907,412
Building improvements	103,566
Improvements other than buildings	399,805
Mobile equipment	508,583
Furniture and equipment	140,222
Total Assets	**$ 19,299,217**
LIABILITIES:	
Accounts payable and accrued liabilities	$ 993,537
Deferred revenue	14,521
Interest payable on long-term liabilities	33,704
Long-term liabilities, due within one year:	
Capital related liabilities	395,000
Non-capital related liabilities	40,758
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,290,000
Non-capital related liabilities	160,432
Total Liabilities	**10,927,952**
NET ASSETS:	
Investment in capital assets, net of related debt	4,415,817
Restricted net assets:	
Expendable:	
School-based activities	575,909
Debt service	889,137
Capital improvements	1,167,362
Unemployment benefits	135,676
Unrestricted	1,187,364
Total Net Assets	**8,371,265**
Total Liabilities and Net Assets	**$ 19,299,217**

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

NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
Governmental Activities:					
Instruction	$ 9,857,861	$ 712,930	$ 1,624,195	$ 19,404	$ (7,501,332)
Support services	4,873,244	220,000	374,706	65,878	(4,212,660)
Non-instructional services	1,211,383	360,497	1,032,696	5,482	187,292
Interest and other charges related to long-term liabilities	416,511	-	-	-	(416,511)
Total Governmental Activities	$ 16,358,999	$ 1,293,427	$ 3,031,597	$ 90,764	$ (11,943,211)
General Revenues:					
Taxes:					
General purpose levies					2,506,558
Debt purpose levies					928,199
Unrestricted grants and contributions:					
State					8,770,820
Federal					80,099
Unrestricted investment earnings					134,102
Other					62,553
Total General Revenues					12,482,331
Change in Net Assets					**539,120**
Net Assets - Beginning					**7,832,145**
Net Assets - Ending					**$ 8,371,265**

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

NEW ALBANY PUBLIC SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

Exhibit C

	Major Funds					
	General Fund	Reserve for Capital Improvements Fund	2001 Bond Repayment Fund	QZAB Repayment Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 2,581,738	$ -	$ 252,480	$ -	$ 998,360	$ 3,832,578
Investments	-	-	-	776,597	-	776,597
Due from other governments	171,282	-	23,005	-	334,035	528,322
Accrued interest receivable	9,267	-	-	-	2,277	11,544
Other receivables, net	16,855	-	-	-	-	16,855
Due from other funds	161,696	793,443	-	-	-	955,139
Advances to other funds	-	-	-	-	235,401	235,401
Inventories and prepaid items	-	-	-	-	29,486	29,486
Total Assets	**$ 2,940,838**	**$ 793,443**	**$ 275,485**	**$ 776,597**	**$ 1,599,559**	**$ 6,385,922**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 725,137	$ -	$ -	$ -	$ 268,400	$ 993,537
Due to other funds	793,443	-	-	-	158,678	952,121
Advances from other funds	-	-	235,401	-	-	235,401
Deferred revenue	-	-	-	-	14,521	14,521
Total Liabilities	**1,518,580**	**-**	**235,401**	**-**	**441,599**	**2,195,580**
Fund Balances:						
Reserved for:						
Advances	-	-	-	-	235,401	235,401
Inventory	-	-	-	-	29,486	29,486
Debt service	-	-	40,084	776,597	72,456	889,137
Unemployment benefits	-	-	-	-	135,676	135,676
Unreserved:						
Designated, reported in:						
Capital Projects Funds	-	793,443	-	-	138,518	931,961
Undesignated, reported in:						
General Fund	1,422,258	-	-	-	-	1,422,258
Special Revenue Funds	-	-	-	-	546,423	546,423
Total Fund Balances	**1,422,258**	**793,443**	**40,084**	**776,597**	**1,157,960**	**4,190,342**
Total Liabilities and Fund Balances	**$ 2,940,838**	**$ 793,443**	**$ 275,485**	**$ 776,597**	**$ 1,599,559**	**$ 6,385,922**

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

NEW ALBANY PUBLIC SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Exhibit C-1

Total Fund Balance - Governmental Funds	**$**	**4,190,342**
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 $5,218,485.		14,100,817
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(9,886,190)
3. Governmental funds recognize interest on long-term debt when it becomes due; however the Statement of Net Assets recognizes interest as it accrues.		(33,704)
Total Net Assets - Governmental Activities	**$**	**8,371,265**

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

NEW ALBANY 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					
	General Fund	Reserve for Capital Improvements Fund	2001 Bond Repayment Fund	QZAB Repayment Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Local sources	$ 3,489,262	$ -	$ 755,824	$ 37,161	$ 629,267	$ 4,911,514
State sources	8,528,767	-	-	-	911,268	9,440,035
Federal sources	126,785	-	-	-	2,406,457	2,533,242
Total Revenues	**12,144,814**	**-**	**755,824**	**37,161**	**3,946,992**	**16,884,791**
EXPENDITURES:						
Instruction	7,653,159	-	-	-	1,912,700	9,565,859
Support services	3,993,879	-	-	-	809,281	4,803,160
Non-instructional services	522	-	-	-	1,200,009	1,200,531
Facilities acquisition and construction	-	65,342	-	-	-	65,342
Debt service:						
Principal	7,100	-	370,000	-	32,493	409,593
Interest	-	-	412,326	-	2,315	414,641
Other	-	-	3,869	-	700	4,569
Total Expenditures	**11,654,660**	**65,342**	**786,195**	**-**	**3,957,498**	**16,463,695**
Excess (Deficiency) of Revenues over Expenditures	**490,154**	**(65,342)**	**(30,371)**	**37,161**	**(10,506)**	**421,096**
OTHER FINANCING SOURCES (USES):						
Insurance loss recoveries	13,328	-	-	-	-	13,328
Operating transfers in	8,016	300,000	38,556	162,000	301,308	809,880
Operating transfers out	(639,865)	-	-	-	(170,015)	(809,880)
Total Other Financing Sources (Uses)	**(618,521)**	**300,000**	**38,556**	**162,000**	**131,293**	**13,328**
NET CHANGE IN FUND BALANCES	**(128,367)**	**234,658**	**8,185**	**199,161**	**120,787**	**434,424**
FUND BALANCES:						
July 1, 2005	**1,550,625**	**558,785**	**31,899**	**577,436**	**1,029,595**	**3,748,340**
Increase in Reserve for Inventory	**-**	**-**	**-**	**-**	**7,578**	**7,578**
June 30, 2006	**$ 1,422,258**	**$ 793,443**	**$ 40,084**	**$ 776,597**	**$ 1,157,960**	**$ 4,190,342**

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

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

Exhibit D-1

Net Change in Fund Balances - Governmental Funds	**$**	**434,424**
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 lives of the assets. Capital assets purchased amounted to $151,559, and the depreciation expense amounted to $466,706.		(315,147)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		409,593
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		2,699
2. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(60)
3. Increase (decrease) in inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are (decreased) increased in the Statement of Activities.		7,578
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		33
Change in Net Assets of Governmental Activities	**$**	**539,120**

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

NEW ALBANY PUBLIC SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 54,000	$ 26,460
Investments	49,541	
Total Assets	**$ 103,541**	**$ 26,460**
LIABILITIES:		
Accounts payable and accrued liabilities	$ -	$ 7,200
Due to other funds	-	3,018
Due to student clubs	-	16,242
Total Liabilities	**$ -**	**$ 26,460**
NET ASSETS:		
Held in trust	**$ 103,541**	

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

NEW ALBANY PUBLIC SCHOOL DISTRICT **Exhibit F**
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust Funds
ADDITIONS:	
Interest on investments	$ 2,541
Contributions and donations from private sources	70,000
Total Additions	**72,541**
DEDUCTIONS:	
Scholarships awarded	**17,000**
CHANGE IN NET ASSETS	**55,541**
NET ASSETS:	
July 1, 2005	**48,000**
June 30, 2006	**$ 103,541**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reserve for Capital Improvements Fund - This fund accounts for financial resources designated by the school district for future capital improvements.

2001 Bond Repayment Fund - This fund accounts for ad valorem taxes used to pay general obligation bond principal and interest.

QZAB Repayment Fund - This fund is used to accumulate funds for the future retirement of Qualified Zone Academy Bonds.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Private-Purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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

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

G. Investments

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

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

H. Inventories and Prepaid Items

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

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 expenditures occur and the date payments are made.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 yearend.

L. Equity Classifications

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 borrowings that are 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 classified as designated and undesignated.

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

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

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

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

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

Unreserved - designated for, reported in capital projects funds - An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of district buildings and facilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences

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

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for realizability of receivables and depreciation. Accordingly, actual results could differ from those estimates.

NOTE 2 - CHANGES IN ACCOUNTING STANDARDS

As required, the New Albany Public 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 affecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, and 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.

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows: Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions

NOTE 3 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $3,832,578 and $80,460, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - $3,832,578. The bank balance was $4,516,268.

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 formal 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 institution's 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 $4,516,268 was exposed to custodial credit risk.

Investments

As of June 30, 2006, the district had the following investments. The District's investments in U.S. Government securities are restricted for the repayment of Qualified Zone Academy Bonds as described in Note 9.

Investment Type	Maturities (in years)	Fair Value	Rating
U.S. Government securities	less than 1	$ 776,597	AAA
Certificates of deposit	1 to 5	49,541	Non-rated
Total Investments		$ 826,138	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. None of the district's investments of $826,138 were exposed to custodial credit risk.

NOTE 4 - 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	$ 161,696	$ 793,443
Reserve for capital improvements fund	793,443	-
2001 bond repayment fund	-	-
QZAB repayment fund	-	-
Other governmental funds	-	158,678
Fiduciary Funds	-	3,018
Total	$ 955,139	$ 955,139

Interfund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts and from the general fund's liability to a capital projects fund for future capital improvements.

B. Advances To/From Other Funds:	Advances To	Advances From
Governmental Funds:		
General fund	$ -	$ -
Reserve for capital improvements fund	-	-
2001 bond repayment fund	-	235,401
QZAB repayment fund	-	-
Other governmental funds	235,401	-
Fiduciary Funds	-	-
Total	$ 235,401	$ 235,401

These advances resulted from the use of proceeds from the issuance of general obligation bonds in a capital projects fund for the repayment of the bonds by a debt service fund.

C. Transfers In/Out:	Transfers In	Transfers Out
Governmental Funds:		
General fund	$ 8,016	$ 639,865
Reserve for capital improvements fund	300,000	-
2001 bond repayment fund	38,556	-
QZAB repayment fund	162,000	
Other governmental funds	301,308	170,015
Fiduciary Funds	-	-
Total	$ 809,880	$ 809,880

Interfund transfers were made by the general fund to various special revenue funds to cover deficits and to a capital projects fund for future capital improvements. A transfer was also made from a debt service fund to the QZAB repayment fund as required to accumulate funds for future debt retirement.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Non-depreciable capital assets:				
Land	$ 975,887	$ -	$ -	$ 975,887
Construction in progress	-	65,342	-	65,342
Total non-depreciable capital assets	975,887	65,342	-	1,041,229
Depreciable capital assets:				
Buildings	15,715,694	-	-	15,715,694
Building improvements	117,690	-	-	117,690
Improvements other than buildings	475,957	-	-	475,957
Mobile equipment	1,362,609	68,038	-	1,430,647
Furniture and equipment	525,862	18,179	5,956	538,085
Total depreciable capital assets	18,197,812	86,217	5,956	18,278,073
Less accumulated depreciation for:				
Buildings	3,519,895	288,387	-	3,808,282
Building improvements	9,416	4,708	-	14,124
Improvements other than buildings	57,114	19,038	-	76,152
Mobile equipment	837,595	84,469	-	922,064
Furniture and equipment	333,655	70,104	5,896	397,863
Total accumulated depreciation	4,757,675	466,706	5,896	5,218,485
Total depreciable capital assets, net	13,440,137	(380,489)	60	13,059,588
Governmental activities capital assets, net	$ 14,416,024	$ (315,147)	$ 60	$ 14,100,817

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 299,535
Support services	138,125
Non-instructional	29,046
Total depreciation expense	$ 466,706

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amout Due Within One Year
A. General obligation bonds payable	$ 8,655,000	$ -	$ 370,000	$ 8,285,000	$ 395,000
B. Shortfall note payable	66,151	-	32,493	33,658	33,658
C. Qualified zone academy bonds payable	1,400,000	-	-	1,400,000	-
D. Other loans payable	17,758	-	7,100	10,658	7,100
E. Compensated absences payable	156,907		33	156,874	-
	$ 10,295,816	$ -	$ 409,626	$ 9,886,190	$ 435,758

A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Bonds, Series 2001	4.3%-6%	6/1/01	6/1/20	$ 9,850,000	$ 8,285,000

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

Year Ending June 30,	Principal	Interest	Total
2007	$ 395,000	391,976	$ 786,976
2008	420,000	370,251	790,251
2009	450,000	347,151	797,151
2010	475,000	320,151	795,151
2011	500,000	295,214	795,214
2012-2016	2,975,000	1,116,691	4,091,691
2017-2020	3,070,000	353,925	3,423,925
	$ 8,285,000	$ 3,195,359	$ 11,480,359

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 12.02% of property assessments as of October 1, 2005. This debt will be retired from the 2001 Bond Repayment Fund.

B. Shortfall Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2003 Ad Valorem Shortfall Note	3.50%	8/12/03	8/12/06	$ 97,545	$ 33,658

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

Year Ending June 30,	Principal	Interest	Total
2007	$ 33,658	$ 1,178	$ 34,836

This debt will be retired from the Shortfall Debt Service Fund.

C. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited - Tax School Note, Series 2000	0%	7/20/00	7/20/10	$ 1,400,000	$ 1,400,000

This debt will be retired from the QZAB Repayment Fund.

D. Other Loans Payable

The school district has issued debt instruments granted under the authority of the Asbestos School Hazard Abatement Act of 1984.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
U.S. EPA Abestos Abatement	0%	3/1/88	12/1/07	$ 127,808	$ 10,658

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2007	$ 7,100	$ -	$ 7,100
2008	3,558	-	3,558
	$ 10,658	$ -	$ 10,658

This debt will be retired from the District Maintenance Fund.

E. 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), Mississippi Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

NOTE 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 current rate is 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 $975,736, $834,092, and $794,038, respectively, which equaled the required contributions for each year.

NOTE 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.

NOTE 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 the Dean Provence Endowment for Excellence in Education, Hill Rehabilitation Services (replaced by Crossroads Rehabilitation Services in 2004), Creekmore Clinic, PLLC, HMC Technologies, and Denotee Martin Contractors, Inc., have entered into such an arrangement dated July 20, 2000. The partners from the business community have agreed to provide funds or services as follows:

The Dean Provence Endowment for Excellence in Education will make annual cash contributions of $5,000 per year in 2000 through 2009, for a total of $50,000.

Crossroads Rehabilitation Services and Creekmore Clinic, PLLC will provide in-kind services consisting of physical therapy and physical check-ups for students. Collectively, the in-kind services will amount to $20,000 per year in 2001 through 2010, for a total of $200,000.

HMC Technologies provided in-kind services consisting of software training and support with a value of $12,000 in 2001.

In 2001, Denotee Martin Contractors, Inc. provided in-kind consulting services valued at $13,000 for evaluation of repairs and renovations needed to W.P. Daniel High School.

NOTE 9 - QUALIFIED ZONE ACADEMY BONDS (Continued)

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, 2001, through 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,	Principal
2007	$ 122,000
2008	80,000
2009	80,000
2010	63,000
	$ 345,000

NOTE 10 - ALTERNATIVE SCHOOL CONSORTIUM

The school district entered into an Alternative School Agreement dated March 20, 1996, creating the New Albany, South Tippah, Union County (NASTUC) Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Mississippi Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany Public School District, the South Tippah School District, and the Union 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.

The New Albany Public School District has been designated as the lead school district for NASTUC, and the operations of the consortium are included in its financial statements.

NOTE 10 - ALTERNATIVE SCHOOL CONSORTIUM (Continued)

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of NASTUC.

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

Revenues:		
Local sources:		
Tuition from other LEA's within the state:		
South Tippah School District	$	110,000
Union County School District		110,000
Total Tuition From Other LEA's Within the State		220,000
Other local sources		1,010
Total Local Sources		221,010
State sources		88,700
Total Revenues		309,710
Expenditures:		
Salaries		244,030
Employee benefits		63,970
Purchased professional and technical services		15,379
Purchased property services		16,717
Other purchased services		838
Supplies		16,103
Property		1,649
Other		75
Total Expenditures		358,761
Excess (Deficiency) of Revenues Over Expenditures		(49,051)
Other Financing Sources:		
Operating transfers out		(30,000)
Net Change in Fund Balance		(79,051)
Fund Balance:		
July 1, 2005		123,956
June 30, 2006	$	44,905

NOTE 11 - VOCATIONAL SCHOOL CONSORTIUM

The school district entered into a Vocational Educational Agreement dated April 4, 1969, creating the New Albany-Union County Vocational Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The consortium includes the New Albany Public School District and the Union County School District.

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

The New Albany Public School District has been designated as the fiscal agent for the New Albany-Union County Vocational Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the New Albany-Union County Vocational Center.

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

Revenues:		
Local sources:		
Tuition from other LEA's within the state:		
Union County School District	$	79,482
State sources		716,193
Federal sources		44,488
Total Revenues		840,163
Expenditures:		
Salaries		836,086
Employee benefits		219,164
Purchased professional and technical services		220
Purchased property services		51,639
Other purchased services		2,230
Supplies		4,265
Property		11,636
Total Expenditures		1,125,240
Excess (Deficiency) of Revenues Over Expenditures		(285,077)
Other Financing Sources:		
Operating transfers in		285,077
Net Change in Fund Balance		-
Fund Balance:		
July 1, 2005		-
June 30, 2006	$	-

NOTE 12 - NORTH MISSISSIPPI CONSORTIUM FOR COMMUNITY LEARNING CENTERS

The school district is the fiscal agent for the North Mississippi Consortium, which received a Twenty-First Century Community Learning Center federal award. The consortium includes New Albany Public, Benton County, Holly Springs and Union County School Districts. The grant provides for after-school and summer programs for students.

The operations of the consortium are included in the financial statements of the New Albany Public School District. The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Mississippi Consortium.

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

Revenues:	
Federal sources	$ 589,591
Expenditures:	
Salaries	132,842
Employee benefits	20,245
Purchased professional and technical services	56,701
Other purchased services	1,240
Supplies	6,627
Subsidies to other LEA's	371,936
Total Expenditures	589,591
Net Change in Fund Balance	-
Fund Balance:	
July 1, 2005	-
June 30, 2006	$ -

REQUIRED SUPPLEMENTARY INFORMATION

NEW ALBANY PUBLIC SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

Schedule 1

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Local sources	$ 3,347,645	$ 3,434,475	$ 3,489,262	$ 86,830	$ 54,787
State sources	8,350,640	8,528,767	8,528,767	178,127	-
Federal sources	136,404	125,545	126,785	(10,859)	1,240
Total Revenues	**11,834,689**	**12,088,787**	**12,144,814**	**254,098**	**56,027**
EXPENDITURES:					
Instruction	7,598,768	7,651,919	7,653,159	(53,151)	(1,240)
Support services	4,157,968	3,993,879	3,993,879	164,089	-
Non-instructional services	353	522	522	(169)	-
Debt service:					
Principal	7,110	7,100	7,100	10	-
Total Expenditures	**11,764,199**	**11,653,420**	**11,654,660**	**110,779**	**(1,240)**
Excess (Deficiency) of Revenues over Expenditures	**70,490**	**435,367**	**490,154**	**364,877**	**54,787**
OTHER FINANCING SOURCES (USES):					
Insurance loss recoveries	-	13,328	13,328	13,328	-
Operating transfers in	135,634	273,387	8,016	137,753	(265,371)
Operating transfers out	(445,449)	(850,449)	(639,865)	(405,000)	210,584
Total Other Financing Sources (Uses)	**(309,815)**	**(563,734)**	**(618,521)**	**(253,919)**	**(54,787)**
NET CHANGE IN FUND BALANCE	**(239,325)**	**(128,367)**	**(128,367)**	**110,958**	**-**
FUND BALANCE:					
July 1, 2005	**1,226,684**	**1,550,625**	**1,550,625**	**323,941**	**-**
June 30, 2006	**$ 987,359**	**$ 1,422,258**	**$ 1,422,258**	**$ 434,899**	**$ -**

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

NOTE 1 - BUDGETARY COMPARISON SCHEDULE

1. Basis of Presentation

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

2. Budget Amendments and Revisions

The budget is adopted by the school board and is 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 schedule is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

3. Individual Fund Disclosures

Individual funds that have an excess of expenditures over budget, including amounts of the excess, are as follows:

Individual Fund		Amount
General fund	$	1,240

The fund with an excess of expenditures over budget is not in violation of state law since the excess resulted from auditors' adjustments.

SUPPLEMENTAL INFORMATION

NEW ALBANY 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.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-Cash Assistance:		
Food donation	10.550	$ 53,709
Child Nutrition Cluster:		
School breakfast program	10.553	171,610
National school lunch program	10.555	364,062
Total Child Nutrition Cluster		535,672
Total U.S. Department of Agriculture		589,381
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	19,115
Total Federal Communications Commission		19,115
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	394,565
Vocational education - basic grants to states	84.048	44,488
Safe and drug-free schools and communities - state grants	84.186	10,879
Twenty-first century community learning centers	84.287	589,591
State grants for innovative programs	84.298	4,695
Education technology state grants	84.318	1,016
Rural education	84.358	56,516
English language acquisition grants	84.365	23,495
Improving teacher quality - state grants	84.367	130,609
Grants for state assessments and related activities	84.369	1,240
Hurricane education recovery	84.938	68,770
Total		1,325,864
Special education cluster:		
Special education - grants to states	84.027	396,394
Special education - preschool grants	84.173	24,186
Total		420,580
Total passed-through Mississippi Department of Education		1,746,444
Total U.S. Department of Education		1,746,444
Total for All Federal Awards		$ 2,354,940

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.

NEW ALBANY PUBLIC SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 12,249,186	$ 9,489,673	$ 588,420	$ 896,469	$ 1,274,624
Other	4,214,509	1,174,980	274,468	35,879	2,729,182
Total	$ 16,463,695	$ 10,664,653	$ 862,888	$ 932,348	$ 4,003,806
Total number of students	2,122				
Cost per student	$ 7,759	$ 5,026	$ 407	$ 439	$ 1,887

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type (all the 1000, 2100, & 2200 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 function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Eaton, Babb & Smith

A Professional Association
Certified Public Accountants/Financial Consultants

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

Superintendent and School Board
New Albany 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 New Albany Public School District as of and for the year ended June 30, 2006, which collectively comprise the school district's basic financial statements, and have issued our report thereon dated January 5, 2007. 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. Our consideration of the internal control over financial reporting 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 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. We noted no matters involving internal control over financial reporting and its operation that we 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, 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* .

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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.

Eaton, Babb + Smith

Ripley, Mississippi
January 5, 2007

Eaton, Babb & Smith

A Professional Association
Certified Public Accountants/Financial Consultants

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

Superintendent and School Board
New Albany Public School District

Compliance

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

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

In our opinion, the New Albany Public 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 New Albany Public School District is responsible for establishing and maintaining effective internal control over compliance with the 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 internal control over compliance in accordance with OMB Circular A-133.

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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 noted no matters involving the 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.

Eaton, Babb & Smith

Ripley, Mississippi
January 5, 2007

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Eaton, Babb & Smith

A Professional Association
Certified Public Accountants/Financial Consultants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
New Albany Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Albany Public School District as of and for the year ended June 30, 2006, which collectively comprise New Albany Public School District's basic financial statements and have issued our report thereon dated January 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Mississippi Code Ann. (1972), disclosed no instances of noncompliance. The district reported $20,506, of classroom supply funds carried over from previous years.

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

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

Eaton, Babb & Smith

Ripley, Mississippi
January 5, 2007

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEW ALBANY PUBLIC SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section 1: Summary of Auditors' Results

FINANCIAL STATEMENTS:

1. Type of auditors' 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 identified? No
   b. Reportable condition identified that is not considered to be a material weakness? No

FEDERAL AWARDS:

4. Type of auditors' report issued on compliance for major federal programs: Unqualified
5. Internal control over major federal programs:
   a. Material weakness identified? No
   b. Reportable condition identified that is not considered to be a material weakness? No
6. Any audit finding reported as required by Section ___.510(a) of Circular A-133? No
7. Federal programs identified as major programs:
   a. Child Nutrition Cluster
      CFDA# 10.553
      CFDA# 10.555
   b. Title I Grants to Local Education Agencies
      CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs: $300,000
9. Auditee qualified as a low-risk auditee? Yes

10. Prior fiscal year audit findings and questioned costs 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

The results of our tests disclosed no findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests disclosed no findings and questioned costs related to the federal awards.