

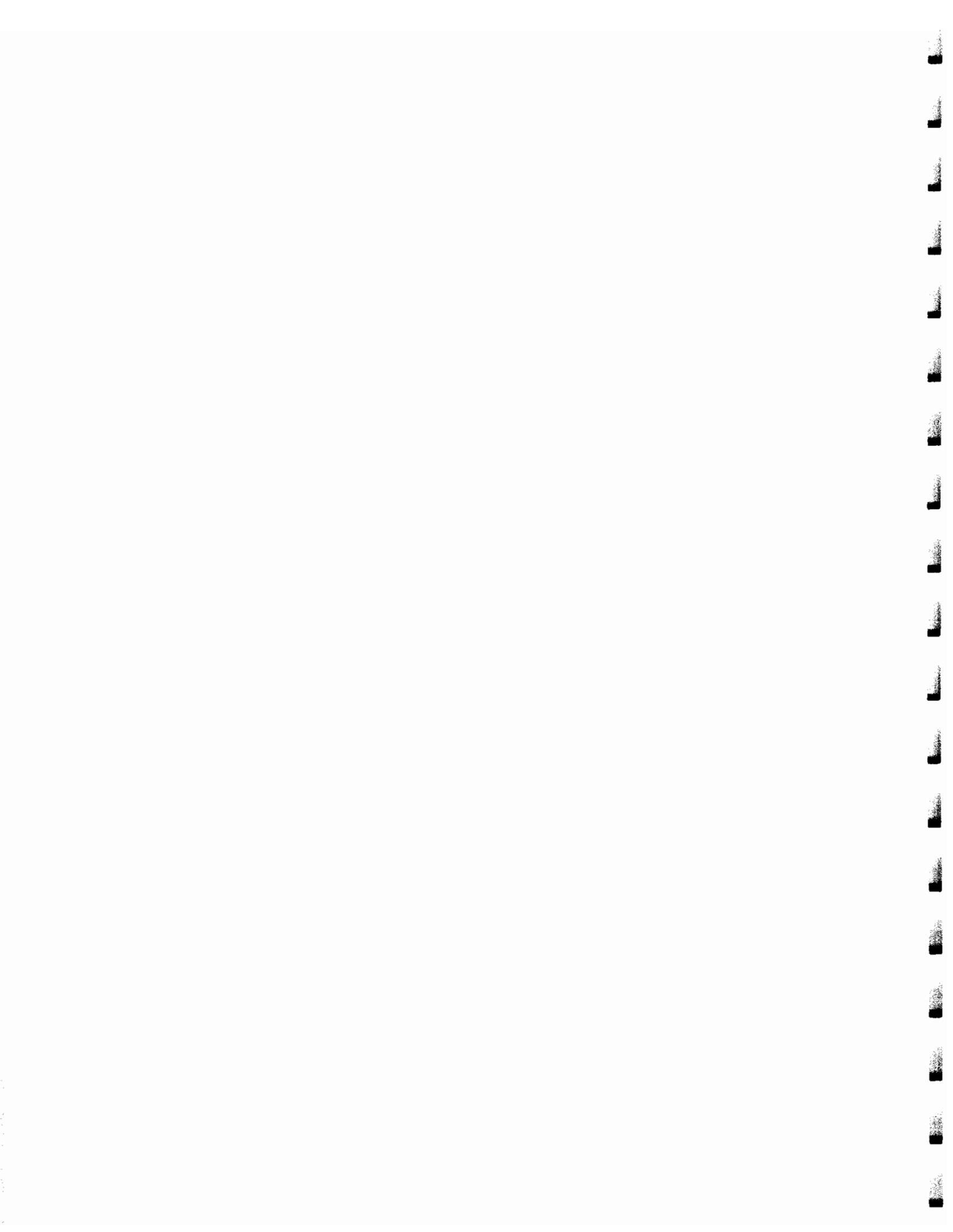


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NORTH PIKE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006

Presented by:
Dribben & Associates, Ltd.
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411



NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NORTH PIKE SCHOOL DISTRICT

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

October 27, 2006

Superintendent and School Board
North Pike School District

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

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

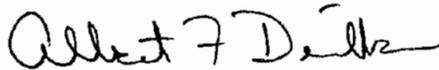
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District, as of June 30, 2006, and the respective 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 October 27, 2006, on our consideration of the North Pike School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 11 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 47 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 North Pike 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.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

1036 Jaguar Trail – Summit, Mississippi 39666

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Superintendent

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,844,134, which represents an 18% increase from fiscal year 2005.
- General revenues account for \$10,244,992 in revenue, or 79% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,771,121, or 21% of total revenues and an increase in cash and cash equivalents of \$862,047.
- The District had \$11,171,979 in expenses; only \$2,771,121 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,244,992 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,675,819 in revenues and \$8,610,023 in expenditures. The General Fund's fund balance increased by \$493,049 from fiscal year 2005.
- Capital assets, net of accumulated depreciation, increased by \$152,880.
- Long-term debt decreased by \$37,431. The district made principal payments on existing long-term debt in the amount of \$40,385 during the fiscal year.

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 are comprised of 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 and other expenses on long-term liabilities.

The government-wide financial statements can be found on pages 21 - 22 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 24 and 26, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School District*. 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 23 - 25 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 - 41 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and the Sixteenth Section Interest Fund. This required supplementary information can be found on pages 45 - 47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$12,315,537 as of June 30, 2006.

By far the largest portion of the District's net assets (49%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Current assets	\$ 6,727,575	\$ 5,105,964	31.76%
Capital assets, net	6,676,159	6,523,278	2.34%
Total assets	13,403,734	11,629,242	15.26%
Current liabilities	110,536	142,747	-22.57%
Long-term debt outstanding	977,661	1,015,092	-3.69%
Total liabilities	1,088,197	1,157,839	-6.01%
Net assets:			
Invested in capital assets, net of related debt	5,758,298	5,565,033	3.47%
Restricted	4,140,608	2,980,686	38.91%
Unrestricted	2,416,631	1,925,684	25.49%
Total net assets	\$ 12,315,537	10,471,403	17.61%

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

- The principal retirement of \$40,385 of long-term debt.
- The addition of \$399,350 in capital assets is related to the construction of a bus barn, purchase of school buses and purchase of furniture and equipment, and acquisition of land.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$13,016,113. The total cost of all programs and services was \$11,171,979. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	Change in Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Revenues:			
Program revenues			
Charges for services	\$ 665,964	\$ 520,629	27.92%
Operating grants and contributions	1,988,683	1,486,970	33.74%
Capital grants and contributions	116,474	-	100.00%
General revenues			
Property taxes	1,535,172	1,402,942	9.43%
Grants and contributions not restricted	7,676,206	7,118,772	7.83%
Other	1,033,614	1,207,877	-14.43%
Total revenues	\$ 13,016,113	\$ 11,737,190	10.90%
Expenses:			
Instruction	6,811,141	6,162,194	10.53%
Support services	3,427,785	3,037,796	12.84%
Non-instructional	717,175	648,720	10.55%
Sixteenth section	168,043	179,693	-6.48%
Interest on long-term liabilities	47,835	49,609	-3.58%
Total expenses	11,171,979	10,078,012	10.85%

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses 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	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 6,811,141	(5,466,961)	\$ 6,162,194	(5,256,462)
Support services	3,427,785	(2,826,112)	3,037,796	(2,680,082)
Non-instructional	717,175	58,935	648,720	49,272
Sixteenth section	168,043	(118,885)	179,693	(133,532)
Interest on long-term liabilities	47,835	(47,835)	49,609	(49,609)
Total expenses	\$ 11,171,979	\$ (8,400,858)	\$ 10,078,012	\$ (8,070,413)

- The net cost of governmental activities in the amount of \$8,400,858 was financed by general revenue, which is made up of primarily property taxes of \$1,445,323 and state revenue of \$7,658,736.
- Investment earnings accounted for \$228,781 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 fiscal year June 30, 2006, its governmental funds reported a combined fund balance of \$6,636,472, an increase of \$1,652,971 from fiscal year 2005. \$3,853,934, or 58%, of the fund balance is reported in the unreserved and undesignated, which is available for spending at the District's discretion. The remaining fund balance of \$2,782,538, or 42%, is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$493,049.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant revisions made during the year are as follows:

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General 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, before depreciation, were \$9,574,152, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$385,277 from the previous year. Total depreciation expense for the year was \$291,325. Total accumulated depreciation as of June 30, 2006 was \$2,897,994, resulting in total net assets of \$6,676,159.

	Capital Assets, Net of Depreciation		Percentage Change
	2006	2005	
Land	\$ 255,241	\$ 172,591	47.89%
Construction in progress	4,450	229,255	-98.06%
Buildings	5,146,049	4,878,895	5.48%
Improvements other than buildings	277,231	290,494	-4.57%
Mobile equipment	958,747	914,102	4.88%
Furniture and equipment	34,441	37,942	-9.23%
	<u>\$ 6,676,159</u>	<u>\$ 6,523,279</u>	2.34%

Additional information on the District's capital assets can be found in Note 5 on page 37 of this report.

Debt Administration. At June 30, 2006, the District had \$977,661 in long-term debt and other long-term debt outstanding, of which \$44,226 is due within one year.

	Outstanding Debt		Percentage Change
	2006	2005	
Three mill notes payable	\$ 917,861	958,246	-4.21%
Compensated absences payable	59,800	56,846	5.20%
	<u>\$ 977,661</u>	<u>\$ 1,015,092</u>	-3.69%

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage has not increased or decreased significantly over the past several 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 has increased 9% from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Pike School District, 1036 Jaguar Trail, Summit, MS 39666.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL STATEMENTS

NORTH PIKE SCHOOL DISTRICT

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North Pike School District
Statement of Net Assets
June 30, 2006

Exhibit A

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,761,065
Due from other governments	464,652
Inventories and prepaid items	32,268
Restricted assets	1,469,590
Capital Assets, not being depreciated	
Land	255,241
Construction in progress	4,450
Capital Assets, net of accumulated depreciation	
Buildings	5,146,049
Improvement other than buildings	277,231
Mobile equipment	958,747
Furniture and equipment	34,441
Total Assets	13,403,734
Liabilities	
Accounts payable and accrued liabilities	83,627
Deferred revenue	7,476
Interest payable on long-term liabilities	19,433
Long-term liabilities (Due within 1 year)	
Capital related liabilities	42,432
Non-capital related liabilities	1,794
Long-term liabilities (Due beyond 1 year)	
Capital related liabilities	875,429
Non-capital related liabilities	58,006
Total Liabilities	1,088,197
Net Assets	
Investment in capital assets (net of related debt)	5,758,298
Restricted net assets for:	
Expendable:	
School-based activities	1,309,712
Debt service	13,388
Capital improvements	1,178,222
Forestry improvements	140,040
Unemployment benefits	29,657
Non-expendable:	
Sixteenth section	1,469,589
Unrestricted	2,416,631
Total Net assets	\$ 12,315,537

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

North Pike School District
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
Governmental Activities				
Instruction	\$ 6,804,811	386,125	897,935	60,120
Support services	3,424,065	-	545,319	56,354
Non-instructional	717,175	230,681	545,429	-
Sixteenth section	168,043	49,158	-	-
Interest and other expenses on long-term liabilities	47,835	-	-	-
Total governmental activities	\$ 11,161,929	665,964	1,988,683	116,474
General revenue:				
Taxes				
General purpose levies				1,445,323
Debt service levies				89,849
Unrestricted grant and contributions:				
State				7,658,736
Federal				17,470
Unrestricted investment earnings				228,781
Sixteenth section				788,814
Other				5,969
Total general revenues				10,234,942
Changes in net assets				1,844,134
Net assets - beginning				10,471,403
Net assets - ending				\$ 12,315,537

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

North Pike School District
 Balance Sheet - Governmental Funds
 For the Year Ended June 30, 2006

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	16th Section Interest Fund	North Pike Building Fund	3 Mill Ten Year Notes Fund	16th Section Principal Fund	Other Governmental Funds	
Assets:							
Cash and cash equivalents	\$ 2,334,413	896,588	1,178,061	98,920	1,469,589	253,084	6,230,655
Due from other governments	129,932	-	-	3,539	-	331,181	464,652
Advances to other funds	89,071	-	-	-	-	-	89,071
Inventories and prepaid items	-	-	-	-	-	32,268	32,268
	<u>2,553,416</u>	<u>896,588</u>	<u>1,178,061</u>	<u>102,459</u>	<u>1,469,589</u>	<u>616,533</u>	<u>6,816,646</u>
Liabilities & Fund Balances:							
Liabilities:							
Accounts payable and accrued liabilities	57,552	-	-	-	-	26,075	83,627
Advances from other funds	-	-	-	89,071	-	-	89,071
Deferred revenue	-	-	-	-	-	7,476	7,476
Total liabilities	<u>57,552</u>	<u>-</u>	<u>-</u>	<u>89,071</u>	<u>-</u>	<u>33,551</u>	<u>180,174</u>
Fund balances:							
Reserved for:							
Advances	89,071	-	-	-	-	-	89,071
Inventory	-	-	-	-	-	32,268	32,268
Capital projects funds	-	-	1,178,061	-	-	161	1,178,222
Debt service funds	-	-	-	13,388	-	-	13,388
Unemployment benefits	-	-	-	-	-	29,657	29,657
Forestry improvement purposes	-	-	-	-	-	140,040	140,040
Permanent funds	-	-	-	-	1,469,589	-	1,469,589
Unreserved:							
Undesignated, reported in:							
General fund	2,406,793	-	-	-	-	-	2,406,793
Special revenue funds	-	896,588	-	-	-	380,856	1,277,444
Total fund balances	<u>2,495,864</u>	<u>896,588</u>	<u>1,178,061</u>	<u>13,388</u>	<u>1,469,589</u>	<u>582,982</u>	<u>6,636,472</u>
Total liabilities & fund balances	<u>\$ 2,553,416</u>	<u>896,588</u>	<u>1,178,061</u>	<u>102,459</u>	<u>1,469,589</u>	<u>616,533</u>	<u>6,816,646</u>

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

North Pike School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,636,472
<p>Amounts reported for net assets in the Statement of Net Assets are different because:</p>	
<p>Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Capital Assets	9,574,152
Less Accumulated Depreciation	<u>(2,897,993)</u>
	6,676,159
<p>Liabilities not due and payable in the current period are not reported in the funds, as follows:</p>	
Long-term liabilities	(977,661)
Accrued interest on long-term liabilities	<u>(19,433)</u>
	(997,094)
Total Net Assets - Governmental Activities	<u><u>\$ 12,315,537</u></u>

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

North Pike School District
 Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds
 For the Year Ended June 30, 2006

Exhibit D

	Major Funds							Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	North Pike Building Fund	3 Mill Ten Year Notes Fund	16th Section Principal Fund				
Revenues:									
Local sources	\$ 1,930,992	-	23,285	93,332	-	-	247,467	2,295,076	
State sources	7,727,110	-	-	-	-	-	212,588	7,939,698	
Federal sources	17,717	-	-	-	-	-	1,823,948	1,841,665	
Sixteenth section sources	-	350,429	-	-	519,043	-	54,183	923,655	
Total revenues	9,675,819	350,429	23,285	93,332	519,043	519,043	2,338,186	13,000,094	
Expenditures:									
Instruction	5,752,265	-	-	-	-	-	960,098	6,712,363	
Support services	2,770,405	-	-	-	-	-	691,964	3,462,369	
Non-instructional services	2,143	-	-	-	-	-	696,010	698,153	
Sixteenth section	-	120,080	-	-	30,909	-	17,054	168,043	
Facilities acquisition and construction	85,210	-	4,450	-	-	-	170,095	259,755	
Debt Service:									
Principal	-	-	-	40,385	-	-	-	40,385	
Interest	-	-	-	48,687	-	-	-	48,687	
Total expenditures	8,610,023	120,080	4,450	89,072	30,909	30,909	2,535,221	11,389,755	
Excess (deficiency) of revenues over expenditures	1,065,796	230,349	18,835	4,260	488,134	488,134	(197,035)	1,610,339	
Other Financing Sources (Uses):									
Sale of transportation equipment	1,725	-	-	-	-	-	-	1,725	
Other financing sources	20,655	-	-	-	-	-	-	20,655	
Operating Transfers in	120,879	877,363	701,610	-	1,208,571	-	41,000	2,949,423	
Operating Transfers out	(716,006)	(929,434)	-	-	(1,241,710)	-	(62,273)	(2,949,423)	
Total Other Financing Sources (uses)	(572,747)	(52,071)	701,610	-	(33,139)	-	(21,273)	22,380	
Net Change in Fund Balances	493,049	178,278	720,445	4,260	454,995	454,995	(218,308)	1,632,719	
Fund balances:									
July 1, 2005	2,002,815	718,310	457,616	9,128	1,014,594	1,014,594	781,038	4,983,501	
Increase(decrease) in reserve for inventory	-	-	-	-	-	-	20,252	20,252	
June 30, 2006	\$ 2,495,864	896,588	1,178,061	13,388	1,469,589	1,469,589	582,982	6,636,472	

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

North Pike 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

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ 1,632,719
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets. (+)	460,616
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the statement of activities. (-)	(291,325)
In the statement of activities, only gains and losses from the sale of capital assets are reported whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Proceeds from the sales of capital assets (-)	(22,380)
Gains on sales of capital assets (+)	5,969
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. (+)	40,385
A increase in reserve for inventory is reported as a direct increase to fund balance in governmental funds but is reported as a decrease increase to non-instructional expenses in the statement of net assets.	20,252
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences increases	(2,954)
Accrued interest on debt decreases	852
Change in net assets of governmental activities	<u>\$ 1,844,134</u>

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

North Pike School District
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 514,886
Total Assets	<u>514,886</u>
Liabilities	
Accounts payable and accrued liabilities	468,958
Due to student clubs	45,928
Total Liabilities	<u>\$ 514,886</u>

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

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

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

Notes to Financial Statements

(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 which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a

NORTH PIKE SCHOOL DISTRICT

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

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 Funds 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 flows take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - This is a Special Revenue Fund. 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.

North Pike Building Fund - This is a Capital Projects Fund. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Three Mill-Ten Year Notes Fund - This is a Debt Service Fund. 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.

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands 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.

NORTH PIKE SCHOOL DISTRICT

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

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.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* 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.

NORTH PIKE SCHOOL DISTRICT

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

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

NORTH PIKE SCHOOL DISTRICT

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

NORTH PIKE SCHOOL DISTRICT

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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 was restricted.

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

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

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

NORTH PIKE SCHOOL DISTRICT

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

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

(3) Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,230,655 and \$514,886 respectively. The carrying amount of deposits reported in the

NORTH PIKE SCHOOL DISTRICT

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

government-wide statements was: Cash and cash equivalents \$4,761,065 and Restricted Assets \$1,469,590. The restricted assets represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. The district's bank balance was \$6,914,487.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the even of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, \$0 of the district's bank balance of \$6,914,487 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Advances To/From Other Fund:

	Advances To	Advances From
Governmental Funds		
General fund	\$ 89,071	
Other major funds:		
Three mill ten year notes fund		89,071
Total Funds	<u>\$ 89,071</u>	<u>89,071</u>

At the inception of the Three Mill Ten Year note, the first payment of principal and interest became due prior to receiving the first proceeds of the tax levy from the tax collector. The amount due, \$89,071, was borrowed from the General Fund. This amount will be repaid at the end of the note from the last proceeds of the tax levy.

B. Transfers In/Out

	Transfer In	Transfer Out
Governmental Funds		
General fund	\$ 120,879	716,006
Sixteenth Section Interest Fund	877,363	929,434
North Pike Building Fund	701,610	-
Sixteenth Section Principal Fund	1,208,571	1,241,710
Non-major funds:	<u>41,000</u>	<u>62,273</u>
Total Funds	<u>\$ 2,949,423</u>	<u>2,949,423</u>

NORTH PIKE SCHOOL DISTRICT

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

The transfers are distribution of interest earned mainly in the Sixteenth Section Principal and Interest Fund, and transfers to the North Pike Building Fund for capital projects. The transfer from 16th Section Principal was to a newly created District-Wide 16th Section Principal Fund.

(5) Capital Assets.

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

	Balance 07/01/05	Additions	Retirements	Completed Construction	Balance 06/30/06
<u>Non-depreciable capital assets:</u>					
Land	\$ 172,591	89,642	(6,992)		255,241
Construction in progress	229,255	174,545		(399,350)	4,450
Total non-depreciable capital assets	<u>401,846</u>	<u>264,187</u>	<u>(6,992)</u>	<u>(399,350)</u>	<u>259,691</u>
<u>Depreciable capital assets:</u>					
Buildings	6,907,857			399,350	7,307,207
Improvements other than buildings	331,565				331,565
Mobile equipment	1,417,676	184,839	(61,866)		1,540,649
Furniture and equipment	129,931	11,590	(6,481)		135,040
Total depreciable capital assets	<u>8,787,029</u>	<u>196,429</u>	<u>(68,347)</u>	<u>399,350</u>	<u>9,314,461</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(2,028,962)	(132,196)			(2,161,158)
Improvements other than buildings	(41,071)	(13,263)			(54,334)
Mobile equipment	(503,574)	(132,673)	54,345		(581,902)
Furniture and equipment	(91,989)	(13,193)	4,583		(100,599)
Total accumulated depreciation	<u>(2,665,596)</u>	<u>(291,325)</u>	<u>58,928</u>	<u>-</u>	<u>(2,897,993)</u>
Total depreciable capital assets, net	<u>6,121,433</u>	<u>(94,896)</u>	<u>(9,419)</u>	<u>399,350</u>	<u>6,416,468</u>
Governmental activities capital assets, net	<u>\$ 6,523,279</u>	<u>169,291</u>	<u>(16,411)</u>	<u>-</u>	<u>6,676,159</u>

NORTH PIKE SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

331,565	
1,540,649	Instruction
<u>135,040</u>	Support Services
	Non-instructional
<u>9,314,461</u>	
	Total depreciation expense

(6) Long-term liabilities.

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

	Balance 07/01/05	Additions	Reductions	Balance 06/30/06	Amounts due within one year
A. Three mill notes payable	\$ 958,246		40,385	917,861	42,432
B. Compensated absences payable	56,846	2,954		59,800	1,794
Total	<u>\$ 1,015,092</u>	<u>2,954</u>	<u>40,385</u>	<u>977,661</u>	<u>44,226</u>

A. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	5%	01/09/01	01/20/21	<u>\$ 1,114,000</u>	<u>917,861</u>

NORTH PIKE SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest
2007	\$ 42,432	46,639
2008	44,583	44,488
2009	46,728	42,343
2010	49,212	39,859
2011	51,707	37,364
2012-2016	300,512	144,844
2017-2021	382,687	60,870
Total	<u>\$ 917,861</u>	<u>416,407</u>

This debt will be retired from the Three Mill Note Fund.

B. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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 \$680,322, \$546,608, and \$501,823, respectively, which equaled the required contributions for each year.

NORTH PIKE SCHOOL DISTRICT

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

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2007	\$ 30,568
2008	26,444
2009	21,174
2010	20,664
2011	18,463
2012-2016	63,552
2017-2021	47,393
2022-2026	46,873
2017-2031	46,873
Total	\$ 322,004

(9) Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the school district.

(10) Subsequent Events.

The school district has plans to construct 20 additional classrooms in 2007. An engineer has been employed; and on October 23, 2006, the district contracted Owen Holland and Sons Construction for the project at a cost of \$1,960,000.

On October 16, 2006, a district school bus was involved in an accident with injuries to several of the students with some requiring hospitalization. The district's commercial insurance is currently processing claims.

NORTH PIKE SCHOOL DISTRICT

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

(11) 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. Settle 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 Bancorp South 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.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PIKE SCHOOL DISTRICT

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North Pike School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

Schedule 1-A

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,780,735	1,930,993	1,930,992	150,258	(1)
State sources	7,694,780	7,727,109	7,727,110	32,329	1
Federal sources	20,344	17,717	17,717	(2,627)	-
Total revenues	<u>9,495,859</u>	<u>9,675,819</u>	<u>9,675,819</u>	<u>179,960</u>	<u>-</u>
Expenditures:					
Instruction	6,263,510	5,752,267	5,752,265	511,243	2
Support services	2,760,439	2,770,403	2,770,405	(9,964)	(2)
Noninstructional services	2,800	2,143	2,143	657	-
Facilities acquisition and construction	-	85,210	85,210	(85,210)	-
Total expenditures	<u>9,026,749</u>	<u>8,610,023</u>	<u>8,610,023</u>	<u>416,726</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>469,110</u>	<u>1,065,796</u>	<u>1,065,796</u>	<u>596,686</u>	<u>-</u>
Other Financing Sources (Uses):					
Sale of property	100	1,725	1,725	1,625	-
Transfers in	12,000	20,655	20,655	8,655	-
Other financing sources		120,879	120,879	120,879	-
Transfers out	(39,750)	(716,006)	(716,006)	(676,256)	-
Total other financing sources and uses	<u>(27,650)</u>	<u>(572,747)</u>	<u>(572,747)</u>	<u>(545,097)</u>	<u>-</u>
Net change in fund balances	<u>441,460</u>	<u>493,049</u>	<u>493,049</u>	<u>51,589</u>	<u>-</u>
Fund balances:					
July 1, 2005			<u>2,002,815</u>		
June 30, 2006			<u>2,495,864</u>		

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

North Pike School District
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2006

Schedule 1-B

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 147,965	350,429	350,429	202,464	-
Total revenues	147,965	350,429	350,429	202,464	-
Expenditures:					
Sixteenth section	37,750	120,080	120,080	82,330	-
Total expenditures	37,750	120,080	120,080	82,330	-
Excess (deficiency) of revenues over expenditures	110,215	230,349	230,349	120,134	-
Other Financing Sources (Uses):					
Transfers in	26,648	877,363	877,363	850,715	-
Transfers out		(929,434)	(929,434)	(929,434)	-
Total other financing sources and uses	26,648	(52,071)	(52,071)	(78,719)	-
Net change in fund balances	136,863	178,278	178,278	41,415	-
Fund balances:					
July 1, 2005			718,310		
June 30, 2006			896,588		

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

NORTH PIKE 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.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT
 Schedule of Expenditure of Federal Awards
 For the Year Ended June 30, 2006

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 45,445
Child nutrition cluster:		
School breakfast program	10.553	155,177
National school lunch program	10.555	357,385
Total child nutrition cluster		<u>512,562</u>
Total U. S. Department of Agriculture		<u>558,007</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	17,470
Total Federal Communications Commission		<u>17,470</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services-vocational rehabilitation grants to states	84.126	247
Total		<u>247</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	290,992
Vocational education-basic grants to states	84.048	17,131
Safe and drug-free schools and communities-state grants	84.186	10,392
State grants for innovative program	84.298	6,618
Education technology state grants	84.318	7,030
Rural education	84.358	68,272
Improving teacher quality state grants	84.367	47,781
Grants for state assessments and related activities	84.369	14,043
Hurricane education recovery	84.938	444,394
Total		<u>906,653</u>
Special educational cluster:		
Special education-grants to states	84.027	314,259
Special education-preschool grants	84.173	104
Total		<u>314,363</u>
Total passed-through Mississippi Department of Education		<u>1,221,016</u>
Total U. S. Department of Education		<u>1,221,263</u>
Total for All Federal Awards		<u>\$ 1,796,740</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the name basis of accounting and the name basis of 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 PIKE SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures – Government Funds
 For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	\$ 8,430,629	6,724,252	349,462	416,219	940,996
Other	2,959,126	966,079	100,331	32,755	1,859,661
Total	11,389,755	7,690,331	449,793	448,974	2,800,657
Total number of students	1,876				
Cost per student	\$ 6,071	4,099	240	239	1,493

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

Instruction - includes that 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); and 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 Administrative

NORTH PIKE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

NORTH PIKE SCHOOL DISTRICT

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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*

October 27, 2006

Superintendent and School Board
North Pike School District

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 06-01.

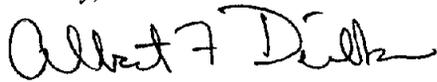
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matter

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 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 our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

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

October 27, 2006

Superintendent and School Board
North Pike School District

Compliance

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

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

In our opinion, North Pike 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

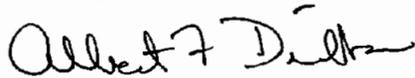
The management of the North Pike School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's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

Al Dribben, CPA
P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 Toll Free

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

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

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

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

NORTH PIKE SCHOOL DISTRICT

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

October 27, 2006

Superintendent and School Board
North Pike School District

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

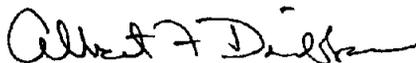
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program 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), Miss. Code Ann. (1972), disclosed no instances of noncompliance of noncompliance. The district reported \$2,338 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.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|---|--------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | Child nutrition cluster: | |
| | School breakfast program | CFDA# 10.553 |
| | National school lunch program | CFDA# 10.555 |
| | Special education cluster: | |
| | Special education-grants to states | CFDA# 84.027 |
| | Special education-preschool grants | CFDA# 84.173 |
| | Hurricane education recovery | CFDA# 84.938 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding 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 |

NORTH PIKE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses.

06-01. Finding

As reported in the prior years' audit report, we noted internal control weaknesses in our test of activity fund expenditures as follows:

- a. One instance of purchase order with no date.
- b. Two instances of purchase orders dated after invoices.

Recommendation

We recommend the following:

- a. All purchase orders should be marked with the exact date the purchase order was issued.
- b. Purchase orders must be secured prior to purchasing due to the budget concerns.

Section 3: Federal Award Findings and Questioned Costs

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

NORTH PIKE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

1036 Jaguar Trail • Summit, Mississippi 39666

Ben E. Cox, Ph.D.
Superintendent

Telephone (601) 276-2216
Fax (601) 276-3666

CORRECTIVE ACTION PLAN

March 19, 2007

Mr. Albert F. Dribben, CPA
Dribben & Associates, Ltd.
P. O. Box 1411
McComb, MS 39649-1411

Dear Mr. Dribben:

North Pike School District respectfully submits the following corrective action plan for the year ended June 30, 2006.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results does not include findings and is not addressed.

Section 2: Financial Statement Findings

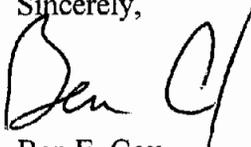
Reportable Conditions Not Considered to be Material Weaknesses:

- 06-01 Corrective Action Plan Details
- a. Name of Contact Person Responsible for Corrective Plan:
 Ben E. Cox, Ph. D., Superintendent; 601-276-2216

 - b. Corrective Action Planned:
 North Pike School District employees will obtain an approved purchase order prior to making any purchases on behalf of the North Pike School District.

 - c. Anticipated Completed Date:
 Immediately

Sincerely,



Ben E. Cox

