



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

OKTIBBEHA COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**Oktibbeha County School District
Table of Contents
June 30, 2006**

	<u>Page</u>
FINANCIAL AUDIT REPORT	1
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Assets	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	36
Budgetary Comparison Schedule - General Fund	37
Budgetary Comparison Schedule - 16th Section Interest Fund	38
Budgetary Comparison Schedule – 16th Section Principal Fund	39
Notes to the Required Supplementary Information	40
SUPPLEMENTAL INFORMATION	41
Schedule of Expenditures of Federal Awards	42
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	43
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE	44
Independent Auditors' 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 <i>Government Auditing Standards</i>	45
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	48
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	51
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	53

OKTIBBEHA COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

One Professional Plaza P.O. Box 1345 Starkville, MS 39760
200 Hospital Road
Phone (662) 323-9071

Fax (662) 323-9075

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

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

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Oktibbeha County 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 30, 2006, on our consideration of the Oktibbeha County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedules and corresponding notes on pages 37 through 40 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 Oktibbeha County 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.

Starkville, Mississippi
October 30, 2006

Wathis Ward and Stafford PLLC

OKTIBBEHA COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

The discussion and analysis of the Oktibbeha 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.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented and is included in this discussion and analysis.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$338,891, which represents 21% decrease from fiscal year 2005.
- General revenues account for \$7,917,978 in revenue, or 77% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,366,230, or 23% of total revenues.
- The District had \$10,623,099 in expenses; only \$2,366,230 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,917,978 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,341,382 in revenues and \$8,046,937 in expenditures. The General Fund's fund balance decreased \$818,200 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$56,734. This increase is due primarily to additions and adjustments.
- Long-term debt decreased by \$230,468. This decrease is due primarily to principal payments made during the year on existing long term debt.

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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 14 - 15 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

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16 and 18 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 a separate Statement of Fiduciary Net Assets on page 20.

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 21 - 35 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 36 - 40 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 42 and 43, respectively, of this report.

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,274,879 as of June 30, 2006.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. (\$806,461) of the District's net assets reflects its investment in capital assets (e.g., land, 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. \$2,540,012 of the District's net assets reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. The unrestricted portion of net assets is (\$458,672).

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

The following table presents a summary of the District's net assets as of June 30, 2006 and 2005, respectively.

	Net Assets		Percentage
	June 30, 2006	June 30, 2005	Change
Current assets	\$ 3,468,379	3,770,442	8.01%
Capital assets, net	1,671,815	1,615,081	3.51%
Total assets	5,140,194	5,385,523	4.56%
Current liabilities	1,096,133	783,162	39.96%
Long-term debt outstanding	2,769,182	2,988,591	7.34%
Total liabilities	3,865,315	3,771,753	2.48%
Net assets:			
Invested in capital assets, net of related debt	(806,461)	(1,032,701)	21.91%
Restricted	2,540,012	2,319,851	10.27%
Unrestricted	(458,672)	326,620	248.69%
Total net assets	\$ 1,274,879	1,613,770	21.00%

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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

- The principal retirement of \$242,377 of long-term debt.
- The current year depreciation of capital assets in the amount of \$126,049.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$10,284,208. The total cost of all programs and services was \$10,623,099. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005, respectively.

	Change in Net Assets		Percentage Change
	June 30, 2006	June 30, 2005	
Revenues:	\$		
Program revenues:			
Charges for services	162,486	345,012	52.91%
Operating grants and contributions	2,163,974	2,250,605	3.85%
Capital grants and contributions	39,770	39,770	0.00%
General revenues:			
Property taxes	2,920,479	2,823,454	3.44%
Grants and contributions not restricted	4,681,716	4,622,253	1.27%
Sixteenth section sources	232,604	181,002	22.19%
Other	83,179	32,066	159.40%
Total revenues	<u>10,284,208</u>	<u>10,294,162</u>	0.10%
Expenses:			
Instruction	5,373,714	5,034,432	6.74%
Support services	4,395,198	3,912,964	12.32%
Non-instructional	647,229	564,700	14.61%
Sixteenth section	52,727	48,876	7.88%
Interest and other expense on long-term liabilities	154,231	111,841	37.90%
Total expenses	<u>10,623,099</u>	<u>9,672,813</u>	9.82%
Increase (Decrease) in net assets	(338,891)	621,349	154.54%
Net assets, July 1	<u>1,613,770</u>	<u>992,421</u>	62.61%
Net assets, June 30	<u>\$ 1,274,879</u>	<u>1,613,770</u>	21.00%

**Oktribbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2006 and 2005, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 5,373,714	(4,108,409)	5,034,432	(3,231,540)
Support services	4,395,198	(3,957,091)	3,912,964	(3,873,194)
Non-instructional	647,229	(20,709)	564,700	(14,363)
Sixteenth section	52,727	(16,429)	48,876	193,512
Interest and other expenses on long-term liabilities	154,231	(154,231)	111,841	(111,841)
Total expenses	\$ 10,623,099	(8,256,869)	9,672,813	(7,037,426)

- Net cost of governmental activities of \$8,256,869 was financed primarily by general revenue, which is made up of primarily property taxes of \$2,920,479 and state revenue of \$4,392,559.
- Investment earnings accounted for \$78,144 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 \$2,603,652. \$2,147,669 or 83%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. A portion of this fund balance is to be used for capital improvements, debt service, and unemployment benefits and a portion is available for sixteenth section investment purposes only. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The remaining fund balance of \$455,983, or 17%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

of the fund balance is reserved for inventory, capital projects, and debt service. \$13,953 has been reserved for inventory. \$4,088 has been reserved for capital projects. \$406,674 has been reserved for debt services. \$31,268 has been reserved for unemployment benefits.

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 \$818,200. The fund balance of the 16th Section Interest Fund increased \$117,831. The fund balance of Other Governmental Funds showed a decrease of \$92,205. This decrease was due to the excess of expenditures over revenues in various funds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from state sources in the General Fund were decreased to reflect the decrease in state funds received during the fiscal year.
- Budgeted amounts for support services expenditures in the General Fund were increased to reflect the increase in operation and maintenance of plant expenditures related to repairs and maintenance.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets before depreciation were \$4,352,018, including land, buildings, mobile equipment and furniture and equipment. This amount represents a gross increase, before depreciation, of \$57,604 from the previous year. Total depreciation expense for the year was \$126,049. Total accumulated depreciation as of June 30, 2006 was \$2,680,203, resulting in total net assets of \$1,671,815.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 11,450	11,450	0.00%
Buildings	1,156,207	1,053,117	9.79%
Mobile equipment	439,549	533,586	17.62%
Furniture and equipment	64,609	16,928	281.67%
Total	\$ 1,671,815	1,615,081	3.51%

Additional information on the District's capital assets can be found in Note 5 on pages 30 - 31 of this report.

**Oktibbeha County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Debt Administration. At June 30, 2006, the District had \$3,000,588 in limited obligation bonds and other long-term debt outstanding, of which \$231,406 is due within one year. During the fiscal year, the district made principal payments in the amount of \$242,377 on existing long-term debt.

	Outstanding Debt		Percentage Change
	2006	2005	
General obligation bonds payable	\$ 2,175,000	2,295,000	5.23%
Transportation notes payable	303,276	352,783	14.03%
Other loans payable	464,471	537,341	13.56%
Compensated absences payable	57,841	45,932	15.84%
Total	\$ 3,000,588	3,231,056	7.13%

Additional information on the District's long-term debt can be found in Note 6 on pages 31 - 34 of this report.

CURRENT ISSUES

The Oktibbeha 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. 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 not increased or decreased significantly from the past fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Oktibbeha County School District, 105 North Washington Street, Starkville, MS 39759.

OKTIBBEHA COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Oktibbeha County School District
Statement of Net Assets
June 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 2,432,721
Cash with Fiscal Agents (Note 3)	86,045
Due from other governments	525,830
Inventories	13,953
Restricted assets (Note 3)	409,830
Capital assets, not being depreciated:	
Land	11,450
Capital assets, net of accumulated depreciation:	
Buildings	1,156,207
Mobile equipment	439,549
Furniture and equipment	64,609
Total Assets	<u><u>\$ 5,140,194</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 864,727
Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	177,521
Non-capital related liabilities	53,885
Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	2,300,755
Non-capital related liabilities	468,427
Total Liabilities	<u><u>\$ 3,865,315</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ (806,461)
Restricted net assets	
Expendable:	
School-based activities	1,439,359
Debt service	406,674
Unemployment benefits	31,268
Non-expendable:	
Sixteenth section	662,711
Unrestricted	(458,672)
Total Net Assets	<u><u>\$ 1,274,879</u></u>

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

**Oktibbeha County School District
Statement of Activities
For the Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 5,373,714	67,658	1,157,877	39,770	(4,108,409)
Support Services	4,395,198	-	438,107	-	(3,957,091)
Noninstructional services	647,229	58,530	567,990	-	(20,709)
Sixteenth section	52,727	36,298	-	-	(16,429)
Interest and other expenses on long-term debt	154,231	-	-	-	(154,231)
Total Governmental Activities	\$ 10,623,099	162,486	2,163,974	39,770	(8,256,869)
General Revenues:					
Taxes:					
General purpose levies					2,920,479
Unrestricted grants and contributions:					
State					4,392,559
Federal					211,013
Unrestricted investment earnings					78,144
Sixteenth section sources					232,604
Other					83,179
Total General Revenues					7,917,978
Change in Net Assets					(338,891)
Net Assets - Beginning					1,613,770
Net Assets - Ending					\$ 1,274,879

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

Oktibbeha County School District
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
ASSETS					
Cash and cash equivalents (Note 3)	\$ 550,968	1,111,023	409,830	770,730	2,842,551
Cash with fiscal agents (Note 3)	-	-	-	86,045	86,045
Due from other governments	236,125	2,913	-	286,792	525,830
Due from other funds (Note 4)	183,863	-	-	38,891	222,754
Advances to other funds (Note 4)	7,173	-	260,054	-	267,227
Inventories	-	-	-	13,953	13,953
Total Assets	\$ 978,129	1,113,936	669,884	1,196,411	3,958,360
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 672,476	6,837	-	185,414	864,727
Due to other funds (Note 4)	-	-	-	222,754	222,754
Advances from other funds (Note 4)	260,054	-	7,173	-	267,227
Total Liabilities	932,530	6,837	7,173	408,168	1,354,708
Fund Balances:					
Reserved for:					
Inventory	-	-	-	13,953	13,953
Capital projects	-	-	-	4,088	4,088
Debt service funds	-	-	-	406,674	406,674
Unemployment compensation	-	-	-	31,268	31,268
Unreserved:					
Undesignated, reported in:					
General fund	45,599	-	-	-	45,599
Special revenue funds	-	1,107,099	-	332,260	1,439,359
Permanent funds	-	-	662,711	-	662,711
Total Fund Balances	45,599	1,107,099	662,711	788,243	2,603,652
Total Liabilities and Fund Balances	\$ 978,129	1,113,936	669,884	1,196,411	3,958,360

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

**Oktribbeha County School District
 Reconciliation of Governmental Funds Balance Sheet to
 the Statement of Net Assets
 June 30, 2006**

	Amounts
Total Fund Balance - Governmental Funds	\$ 2,603,652
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>	
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 \$2,680,203. (Note 5)	1,671,815
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(3,000,588)
Total Net Assets - Governmental Activities	\$ 1,274,879

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

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

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund		
Revenues:					
Local sources	\$ 2,940,869	26,781	17,499	182,979	3,168,128
State sources	4,189,500	-	-	340,648	4,530,148
Federal sources	211,013	-	-	2,066,154	2,277,167
Sixteenth section sources	-	115,047	148,411	5,445	268,903
Total Revenues	7,341,382	141,828	165,910	2,595,226	10,244,346
Expenditures:					
Instruction	4,194,249	-	-	1,137,942	5,332,191
Support services	3,846,881	-	-	634,654	4,481,535
Noninstructional services	2,446	-	-	644,783	647,229
Sixteenth section	-	23,997	-	28,730	52,727
Facilities acquisition and construction	-	-	-	11	11
Debt Service:					
Principal	-	-	-	242,377	242,377
Interest	3,361	-	-	150,537	153,898
Other	-	-	-	333	333
Total Expenditures	8,046,937	23,997	-	2,839,367	10,910,301
Excess (Deficiency) of Revenues over Expenditures	(705,555)	117,831	165,910	(244,141)	(665,955)
Other Financing Sources (Uses):					
Insurance loss recoveries	39,141	-	-	-	39,141
Sale of other property	150	-	-	-	150
Operating transfers in	991,994	-	-	237,218	1,229,212
Operating transfers out	(1,143,930)	-	-	(85,282)	(1,229,212)
Total Other Financing Sources (Uses)	(112,645)	-	-	151,936	39,291
Net Change in Fund Balances	(818,200)	117,831	165,910	(92,205)	(626,664)
Fund Balances:					
July 1, 2005	863,799	989,268	496,801	879,877	3,229,745
Increase in reserve for inventory	-	-	-	571	571
June 30, 2006	\$ 45,599	1,107,099	662,711	788,243	2,603,652

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

Oktibbeha County School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2006

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (626,664)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$57,604 and the depreciation expense, net of adjustments, amounted to \$870. (Note 5)	56,734
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 Net Assets. (Note 6)	242,377
Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	571
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 Increases (Note 6)	(11,909)
Change in Net Assets of Governmental Activities	\$ (338,891)

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

**Oktibbeha County School District
Statement of Fiduciary Net Assets
June 30, 2006**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents (Note 3)	<u>\$ 168,565</u>
Total Assets	<u><u>168,565</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	152,010
Due to student clubs	<u>16,555</u>
Total Liabilities	<u><u>\$ 168,565</u></u>

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

Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(1) Summary of Significant Accounting Policies

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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.

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds 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.

16th Section Interest Fund – This is the fund that accounts for all revenues from the sixteenth section land that is legally required to be placed in a sixteenth section interest fund.

16th Section Principal Fund – This is the fund that accounts for all revenues from the sixteenth section land that is legally required to be placed in a sixteenth section principal fund.

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:

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

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.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

	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 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.

**Oktibbeha County School District
Notes to 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 borrowing that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

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

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

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

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

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

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

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

3) Cash and Cash Equivalents and Cash with Fiscal Agents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,842,551 and \$168,565, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and cash equivalents \$2,432,721 and Restricted Assets \$409,830. The Restricted Assets of \$409,830 represent 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 programs. The bank balance was \$409,838.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, \$0 of the district's bank balance of \$3,400,031 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$86,045.

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund	\$ 183,863	-
Other Governmental Funds	<u>38,891</u>	<u>222,754</u>
Total	<u>\$ 222,754</u>	<u>222,754</u>

Due From/Due To is short-term obligations owed by one fund to another fund until revenues are received.

B. Advances To/From Other Funds.

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds:		
General Fund	\$ 7,173	260,054
Sixteenth Section Principal Fund	<u>260,054</u>	<u>7,173</u>
Total	<u>\$ 267,227</u>	<u>267,227</u>

Note: The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30				
2007	\$	21,878	9,717	31,595
2008		22,769	8,826	31,595
2009		23,697	7,898	31,595
2010		24,662	6,933	31,595
2011		25,667	5,928	31,595
2012 - 2016		<u>134,208</u>	<u>13,233</u>	<u>147,441</u>
Total	\$	<u>252,881</u>	<u>52,535</u>	<u>305,416</u>

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

C. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$ 991,994	1,143,930
Other Governmental Funds	<u>237,218</u>	<u>85,282</u>
Total	<u>\$ 1,229,212</u>	<u>1,229,212</u>

Funds are transferred to move revenue to finance other programs that are accounted for in other funds in accordance with budgetary authorization. Funds were transferred out of District Maintenance into Special Education and Vocational Programs.

(5) Capital Assets.

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

	Balance 7/1/2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 11,450					\$ 11,450
Total non-depreciable capital assets	<u>11,450</u>	-	-	-	-	<u>11,450</u>
<u>Depreciable capital assets:</u>						
Buildings	2,745,193					2,745,193
Mobile equipment	1,412,122	13,145				1,425,267
Furniture and equipment	125,649	44,459				170,108
Total depreciable capital assets	<u>4,282,964</u>	<u>57,604</u>	-	-	-	<u>4,340,568</u>
<u>Less accumulated depreciation for:</u>						
Buildings	1,692,076	26,599			(129,689)	1,588,986
Mobile equipment	878,536	92,108			15,074	985,718
Furniture and equipment	108,721	7,342			(10,564)	105,499
Total accumulated depreciation	<u>2,679,333</u>	<u>126,049</u>	-	-	<u>(125,179)</u>	<u>2,680,203</u>
Total depreciable capital assets, net	<u>1,603,631</u>	<u>(68,445)</u>	-	-	<u>125,179</u>	<u>1,660,365</u>
Governmental activities capital assets, net	<u>\$ 1,615,081</u>	<u>(68,445)</u>	-	-	<u>125,179</u>	<u>1,671,815</u>

Oktribbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 29,614
Support services	96,435
Total depreciation expense	\$ 126,049

The capital assets above include significant amounts of mobile equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The current year adjustments to accumulated depreciation are to correct posting errors in the prior years' accumulated depreciation.

(6) Long-term Liabilities.

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

	Balance 7/1/2005	Additions	Reductions	Adjustments	Balance 6/30/2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 2,295,000		(120,000)		2,175,000	125,000
B. Transportation equipment loans payable	352,783		(49,507)		303,276	52,521
C. Other loans payable	537,341		(72,870)		464,471	53,885
D. Compensated absences payable	45,932	11,909			57,841	
Total long-term debt	\$ 3,231,056	11,909	(242,377)	-	3,000,588	231,406

A. Limited Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	Varies	8/1/1998	2/1/2018	\$ 2,745,000	2,175,000
Total				\$ 2,745,000	2,175,000

**Oktibbeha County School District
Notes to 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	Total
2007	125,000	97,790	222,790
2008	130,000	90,896	220,896
2009	140,000	84,503	224,503
2010	145,000	78,250	223,250
2011	150,000	71,685	221,685
2012 - 2016	880,000	243,800	1,123,800
2017 - 2021	605,000	36,685	641,685
Total	\$ 2,175,000	703,609	2,878,609

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

B. Transportation Equipment Loans Payable.

The school district took out a loan at AmSouth Bank on May 1, 2001 for \$465,780 to purchase ten school buses. The loan is to be paid back over a period of ten years with annual payments of \$62,998 with an interest rate of 5.820%. The school district took out a second loan at AmSouth Bank on October 29, 2001 for \$55,960 to purchase a SPED bus. The loan is to be paid back over a period of ten years with annual payments of \$7,099 with an interest rate of 5.0%.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
AmSouth Bank (10 buses)	5.82%	5/1/2001	5/1/2011	\$ 465,780	\$ 266,363
AmSouth Bank (SPED bus)	5.00%	10/29/2001	5/1/2011	55,960	36,913
Total				\$ 521,740	\$ 303,276

**Oktibbeha County School District
Notes to 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	Total
2007	52,521	17,576	70,097
2008	55,613	14,484	70,097
2009	58,887	11,210	70,097
2010	62,354	7,743	70,097
2011	66,188	3,909	70,097
2012 - 2016	7,713	175	7,888
Total	\$ 303,276	55,097	358,373

The debt will be retired from the Transportation Debt Service Fund.

C. Other Loans Payable.

The school district took out a loan at BankFirst Financial Services on July 1, 2001 for \$400,000 to help finance the school renovations. The loan is to be paid back over a period of fifteen years with annual payments of \$38,891 with an interest rate of 5.060%. This debt will be retired from the EEF Building/Buses Fund. The school district took out another loan at AmSouth Bank on October 29, 2002 for \$250,000 to help finance the school renovations. The loan is to be paid back over a period of seven years with annual payments of \$37,316 with an interest rate of 4.12%. The debt will be retired from the Transportation Debt Service Fund.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
BankFirst Financial Services	5.06%	7/1/2001	7/1/2016	\$ 400,000	\$ 298,399
AmSouth Bank	4.12%	10/29/2002	10/29/2009	250,000	166,072
				\$ 650,000	\$ 464,471

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

Year Ending June 30	Principal	Interest	Total
2007	53,885	22,322	76,207
2008	56,353	19,854	76,207
2009	58,936	17,271	76,207
2010	63,056	13,151	76,207
2011	38,891	10,265	49,156
2012 - 2016	193,350	71,070	264,420
Total	\$ 464,471	153,933	618,404

**OkTibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

D. Compensated Absences Payable.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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, Mississippi 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 years ending June 30, 2006, 2005, and 2004 were \$ 584,865, \$507,189, and \$490,990, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2007	36,187
2008	36,187
2009	36,187
2010	36,187
2011	36,187
2012 - 2016	<u>54,528</u>
Total	<u>\$ 235,463</u>

**Oktibbeha County School District
Notes to Financial Statements
For the Year Ended June 30, 2006**

(9) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**Oktibbeha County School District
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>			<u>Variances Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Local sources	\$ 2,976,253	2,930,451	2,940,869	(45,802)	10,418
State sources	4,619,073	4,189,500	4,189,500	(429,573)	-
Federal sources	167,000	211,013	211,013	44,013	-
Total Revenues	7,762,326	7,330,964	7,341,382	(431,362)	10,418
Expenditures:					
Instruction	4,126,330	4,194,249	4,194,249	(67,919)	-
Support services	3,467,566	3,846,881	3,846,881	(379,315)	-
Noninstructional services	7,900	2,446	2,446	5,454	-
Debt Service					
Principal		3,361	3,361	(3,361)	-
Total Expenditures	7,601,796	8,046,937	8,046,937	(445,141)	-
Excess (Deficiency) of Revenues over Expenditures	160,530	(715,973)	(705,555)	(876,503)	10,418
Other Financing Sources (Uses):					
Insurance loss recoveries		39,141	39,141	39,141	-
Sale of Other property		150	150	150	-
Operating transfers in	895,424	1,002,412	991,994	106,988	(10,418)
Operating transfers out	(967,111)	(1,143,930)	(1,143,930)	(176,819)	-
Total Other Financing Sources (Uses)	(71,687)	(102,227)	(112,645)	(30,540)	(10,418)
Net Change in Fund Balances	88,843	(818,200)	(818,200)	(907,043)	-
Fund Balances:					
July 1, 2005	863,799	863,799	863,799		
June 30, 2006	952,642	45,599	\$ 45,599		

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

**Oktibbeha County School District
Budgetary Comparison Schedule
16th Section Interest Fund
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	26,781	26,781	26,781	-
Sixteenth section sources	107,500	115,047	115,047	7,547	-
Total Revenues	107,500	141,828	141,828	34,328	-
Expenditures:					
Sixteenth section	35,400	23,997	23,997	11,403	-
Total Expenditures	35,400	23,997	23,997	11,403	-
Excess (Deficiency) of Revenues over Expenditures	72,100	117,831	117,831	45,731	-
Net Change in Fund Balances	72,100	117,831	117,831	45,731	-
Fund Balances:					
July 1, 2005	989,268	989,268	989,268		
June 30, 2006	1,061,368	1,107,099	\$ 1,107,099		

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

**Oktibbeha County School District
 Budgetary Comparison Schedule
 16th Section Principal Fund
 For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 12,000	17,499	17,499	5,499	-
Sixteenth section sources	100,000	148,411	148,411	48,411	-
Total Revenues	112,000	165,910	165,910	53,910	-
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	112,000	165,910	165,910	53,910	-
Net Change in Fund Balances	112,000	165,910	165,910	53,910	-
Fund Balances:					
July 1, 2005	496,801	496,801	496,801		
June 30, 2006	608,801	662,711	\$ 662,711		

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

**Oktibbeha County 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

**Oktibbeha County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>25,866</u>
Child nutrition cluster:		
School breakfast program	10.553	194,721
National school lunch program	10.555	408,224
Total child nutrition cluster		<u>602,945</u>
Total U.S. Department of Agriculture		<u>628,811</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>55,497</u>
Total Federal Communications Commission		<u>55,497</u>
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	735,717
Improving teacher quality - state grants	84.367	201,566
Safe and drug-free schools and communities - state grants	84.186	17,326
State grants for innovative programs	84.298	3,079
Reading first state grants	84.357	291,039
Rural education	84.358	27,532
Gaining early awareness and readiness for undergraduate programs	84.334	14,577
Education technology state grants	84.318	22,011
Special Education Cluster:		
Special education - grants to states	84.027	219,383
Special education - preschool grants	84.173	17,615
Total Special Education Cluster		<u>236,998</u>
Total passed-through Mississippi Department of Education		<u>1,549,845</u>
Total U.S. Department of Education		<u>1,549,845</u>
Total for All Federal Awards		<u>\$ 2,234,153</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,533,763	5,428,631	603,525	503,506	998,101
Other	<u>3,376,538</u>	<u>715,373</u>	<u>226,961</u>	<u>45,556</u>	<u>2,388,648</u>
Total	\$ <u>10,910,301</u>	<u>6,144,004</u>	<u>830,486</u>	<u>549,062</u>	<u>3,386,749</u>
 Total number of students *	 842				
 Cost per student	 \$ 12,958	 7,297	 987	 652	 4,022

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) 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 Categories

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

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

**INDEPENDENT AUDITORS' 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***



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

One Professional Plaza P.O. Box 1345 Starkville, MS 39760
200 Hospital Road
Phone (662) 323-9071

Fax (662) 323-9075

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Garv C. Hamilton, CPA

R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

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

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2006, which collectively comprise the Oktibbeha County School District's basic financial statements and have issued our report thereon dated October 30, 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. 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 did not note any 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 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.

Starkville, Mississippi
October 30, 2006

Wathi Ward and Stafford Rice

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



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

One Professional Plaza P.O. Box 1345 Starkville, MS 39760
200 Hospital Road
Phone (662) 323-9071

Fax (662) 323-9075

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA

R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

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

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

Compliance

We have audited the compliance of the Oktibbeha County 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 on the school district's compliance with those requirements.

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

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

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

Starkville, Mississippi
October 30, 2006

Watkins, Ward and Stafford PLLC

OKTIBBEHA COUNTY SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
Certified Public Accountants

One Professional Plaza P.O. Box 1345 Starkville, MS 39760
200 Hospital Road
Phone (662) 323-9071

Fax (662) 323-9075

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagers, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
Garv C. Hamilton, CPA

R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PF
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA
Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
Oktibbeha County School District
Starkville, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2006, which collectively comprise Oktibbeha County School District's basic financial statements and have issued our report thereon dated October 30, 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. The district reported \$2,625 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.

Starkville, Mississippi
October 30, 2006

OKTIBBEHA COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Oktibbeha County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006**

Section 1: Summary of Auditors' Results

Financial Statements:

1. An unqualified opinion was issued on the financial statements.
2. The audit did not disclose any noncompliance which is material to the financial statements.
3. The audit did not disclose any material weaknesses nor any reportable conditions in internal control over financial reporting.

Federal Awards:

4. An unqualified opinion was issued on compliance for major federal programs.
5. The audit did not disclose any material weaknesses nor any reportable conditions in internal control over major programs.
6. The audit did not disclose any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
7. The federal program identified as a major program was the Child Nutrition Cluster – CFDA #10.553 and #10.555.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.
10. There are no prior fiscal year audit findings or 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.

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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