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POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2006

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
POPLARVILLE, MISSISSIPPI

BOARD OF TRUSTEES

Todd Nodurft
Shirline Magee
Larry Head
Curt Stasny
Violine Jordan

SUPERINTENDENT

Gylde Fitzpatrick

Director of Finance

Samantha J. Kirschbaum, CPA

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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Mississippi Society of Certified Public Accountants

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

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2006, which collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Poplarville Special Municipal Separate School District's management. Our responsibility is to express an opinion 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate 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 July 3, 2007 on our consideration of the Poplarville Special Municipal Separate 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 6 through 16 and the Budgetary Comparison Schedule and corresponding notes on page 42 through 46 are not a required part of the basic financial statements but are supplementary information required by the Government 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Poplarville Special Municipal Separate 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.

King CPA, PLLC

KING CPA, PLLC

Petal, Mississippi
July 3, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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

Poplarville Special Municipal Separate School District, organized in 1955, is located in Poplarville, Mississippi, the county seat of Pearl River County. A five-member board of trustees appointed by the Pearl River County Board of Supervisors and the Poplarville Board of Aldermen governs the school district. The trustees serve five year staggered terms. The board appoints the superintendent

Poplarville is located on Interstate 59, 75 miles north of New Orleans, Louisiana and 50 miles from the Mississippi Gulf Coast. Poplarville's climate offers a mild winter, pleasant spring and fall and summer sun that encourage outdoor summer activities. Pearl River Community College, the oldest 2-year college in Mississippi, is also located in Poplarville. The college serves over 4,000 students.

Poplarville Special Municipal Separate School District (PSMSSD) serves approximately 25% of the students in Pearl River County, Mississippi. The present enrollment is 2,084 students. One of the largest geographic districts in the state, PSMSSD encompasses 498 square miles. The district serves over 10,000 citizens in the incorporated town of Poplarville and the unincorporated communities of Steep Hollow, Gum Pond, Buck Branch, Fords Creek, Byrdline, White Sand, Progress, Savannah, Harts Chapel, Oak Hill and Crossroads. In excess of 1400 students are transported on 25 buses to four schools in the district.

The four schools in the district are located in the town of Poplarville less than two miles apart. The four schools with enrollment are listed as follows: Poplarville Lower Elementary School grades k-2 serves 552 students, Poplarville Upper Elementary School grades 3-5 serves 460 students, Middle School of Poplarville grades 6-8 serves 513 students and Poplarville High School grades 9-12 serves 559 students. These schools are staffed by 177 certified staff and 109 non-certified staff members. Eighty-four percent (84%) of the teachers have advanced degrees. The student attendance rate is ninety-five percent (95%). The graduation rate is ninety-six percent (96%).

FINANCIAL HIGHLIGHTS

- Total net assets increased $5,601,035, which represents 44.39% increase from fiscal year 2005. Emergency Impact Aid funds received in the amount of $3,298,064 supported salaries and fringe benefits that have been paid in previous years by the General Fund. Insurance proceeds of $500,000 have been received for Hurricane Katrina damages and losses but have not all been expended as of fiscal year end.

- General revenues accounted for $14,458,629 in revenue, or 65.22% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $7,159,984 or 32.3% of total revenues. Insurance loss recoveries and gain on sale of assets accounted for $548,912 or 2.48% of total revenues.

- The District had $16,566,490 in expenses; $7,159,984 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $14,458,629 were adequate to provide for these programs.

- Among major funds, the General Fund had $12,653,834 in revenues and $8,300,735 in expenditures. The General Fund's fund balance increased $1,493,827 over the prior year as a result of the Emergency Impact Aid funds supporting salaries and fringe benefits that have been paid by the General Fund in previous years and increasing local revenues.

- Capital assets, net of accumulated depreciation, increased by $854,365 as a result of capital outlays for buildings, mobile equipment, furniture and equipment, improvements other than buildings and construction in progress. The district also received a donation of portable classrooms from FEMA valued at $609,618.

- Long-term debt *decreased* by $350,000 as a result of principal payments.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found in Exhibits A and B 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 Exhibit C-1 and D-1, respectively, of this report.

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

The basic governmental fund financial statements can be found on the pages following 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 Exhibit E: Statement of Net Assets – Fiduciary Funds.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 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 each additional major special revenue fund. This required supplementary information can be found in Schedules 1A, 1B, and 1C of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is required by the Mississippi Office of the State Auditor which can be found on pages 48 and 49, respectively, 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 $18,219,975 as of June 30, 2006.

By far the largest portion of the District's net assets (36.31%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress), 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 as of June 30, 2005 and 2006, respectively.

	Net Assets		Percentage
	June 30, 2005	June 30, 2006	Change
Current assets	$ 7,478,937	$ 12,337,767	65.0 %
Capital assets, net	8,014,054	8,868,419	10.7 %
Total assets	**15,492,991**	**21,206,186**	**36.9%**
Current liabilities	531,137	1,007,824	89.8 %
Long-term debt outstanding	2,342,914	1,978,387	(15.6)%
Total liabilities	**2,874,051**	**2,986,211**	**3.9 %**
Net assets:			
Invested in capital assets, net of related debt	5,411,054	6,615,419	22.3 %
Restricted	5,245,868	8,147,183	53.6 %
Unrestricted	1,962,018	3,457,373	76.2 %
Total net assets	**$ 12,618,940**	**18,219,975**	**44.4 %**

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

- Emergency Impact Aid funds received in the amount of $3,298,064 supported salaries and fringe benefits that have been paid in the previous years by the General Fund.
- Insurance loss recoveries of $500,000 for Hurricane Katrina damages and losses not all expended as of June 30, 2006.
- The principal retirement of $350,000 of long-term debt.
- Building projects funds of $2,750,000 were transferred from the general fund for additions and renovations to the existing school premises.

- Accrued payroll in the amount of $631,352 was transferred to the payroll clearing fund prior to fiscal year end.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were $22,167,525. The total cost of all programs and services was $16,566,490.

The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2005 and 2006.

	Change in Net Assets		Percentage
	June 30, 2005	June 30, 2006	Change
Revenues:			
Program revenues:			
Charges for services	$ 507,903	$ 419,545	(17.4)%
Operating grants & contributions	2,676,916	6,740,439	151.8 %
General revenues			
Property taxes	3,713,428	4,089,022	10.1 %
Grants & contrib. not restricted	8,140,703	9,372,847	15.1%
Investment earnings	268,201	279,975	4.4 %
Sixteenth section sources	242,138	216,442	10.6 %
Local contributions	137,338	471,148	243.1 %
Insurance proceeds	0	500,000	NA
Gain on sale of assets	0	48,912	NA
Other	18,055	29,195	61.7 %
Total revenues	**15,704,682**	**22,167,525**	**41.2 %**
Expenses:			
Instruction	8,431,662	9,378,033	11.2 %
Support services	4,784,318	6,101,205	27.5 %
Non-instructional	868,459	952,496	9.7 %
Sixteenth section	30,136	20,266	(32.8)%
Interest on long-term liabilities	129,984	114,490	(11.9)%
Total expenses	**14,244,559**	**16,566,490**	**16.3 %**
Increase in net assets	**1,460,123**	**5,601,035**	**283.6 %**
Net Assets, July 1	**11,158,817**	**12,618,940**	**13.1 %**
Net Assets, June 30	**$ 12,618,940**	**$ 18,219,975**	**44.4 %**

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

- Increase in operating grants and contributions of $4,063,523 as a result of an increase in funding to assist with damages and losses caused by Hurricane Katrina.

- The district received a donation of nine portable classrooms from FEMA valued at $609,618 to assist with losses caused by Hurricane Katrina.
- Emergency Impact Aid funds received in the amount of $3,298,064 supporting salaries and fringe benefits that have been paid in previous years by the General Fund.
- Insurance loss recoveries received in the amount of $500,000 to fund damages and losses caused by Hurricane Katrina.
- Increase in tax levies of $375,594 from new property, reappraisals, and three mill note. The additional levies were used to fund local paid staff pay raises, capital projects and other increase in costs, such as utilities.
- Increase in unrestricted state grants and contributions of $608,785 as a result from an increase in funding by the state to absorb a portion of the mandated pay raise and increase in fringe benefits.
- Increase in local contributions of $344,949 as a result from implementing new programs in the district including Healthy Lifestyles and Safe Harbor (Hurricane Katrina).
- Increase in salary expenses were incurred due to the eight percent state mandated pay raise for licensed employees and district implemented an average five percent pay raise for remaining personnel. However, expenses were reduced in other areas to fund a portion of the pay raises.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt for fiscal years ending June 30, 2005 and June 30, 2006. 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.

	Total Expenses		Percentage Change	Net Expense		Percentage Change
	2005	2006		2005	2006	
Instruction	$ 8,431,662	$ 9,378,033	11.2 %	$ 6,879,809	$ 5,309,650	(22.8)%
Support Services	4,784,318	6,101,205	27.5 %	4,013,792	3,887,563	(3.1)%
Non-instructional	868,459	952,496	9.7 %	30,615	100,238	227.4 %
Sixteenth Section	30,136	20,266	(32.8)%	5,540	(5,435)	(198.1)%
Interest on long-term liabilities	129,984	114,490	(11.9)%	129,984	114,490	(11.9)%
Total expenses	**$14,244,559**	**$16,566,490**	**16.3 %**	**$ 11,059,740**	**$ 9,406,506**	**(15.0)%**

- Net cost of governmental activities decreased 15.0 percent to $9,406,506, which was financed by general revenue. General revenue is made up of primarily property taxes $4,089,022 and unrestricted state grants and contributions $8,685,857.

- Investment earnings accounted for $279,975 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $11,729,064, an increase of $4,389,635, a result of adequate education being funded more than projected, ad valorem collections on new property was more than projected and the emergency impact aid funds supported salaries and fringe benefits that have been paid in the past by the General Fund. $11,050,709 or 94.2% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of $678,355 or 5.8% is reserved or designated to indicate that it is not available for spending because it has already been committed. Areas of commitment are sixteenth section advances, inventory and insurance deductible.

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 $1,493,827, a result of an increase in local revenues and a decrease in salaries and fringe benefits. The Emergency Impact Aid Fund showed no change in fund balance. The fund balance of the Sixteenth Section Interest Fund showed an increase of $257,675 resulting from leases, timber sales and interest income. The Building Projects Fund showed an increase of $2,506,491 resulting from an operating transfer from the General Fund for additions and renovations to existing premises. The fund balance of Other Governmental Funds showed an increase of $130,198, a result of local source contributions not expended as of the fiscal year end.

BUDGETARY HIGHLIGHTS

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

- Budgeted expenditure amounts for instruction and support services in the General Fund were reduced due to these expenditures being paid from other governmental funds.
- Budgeted expenditure amounts for instruction and support services in the Emergency Impact Aid Fund were developed subsequent to the original budget due to funds becoming available and approved subsequent of Hurricane Katrina.
- Budgeted amounts for operating transfers to building projects were increased due primarily to additional school construction being approved in the current fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were $13,238,155, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $1,190,050 from the previous year as a result of capital outlays of buildings, mobile equipment, furniture and equipment, improvements other than buildings and construction in progress. Total accumulated depreciation as of June 30, 2006 was $4,369,736 and total depreciation expense for the year was $373,031, resulting in total net capital assets of $8,868,419.

	Capital Assets, Net of Depreciation		Percentage
	2005	2006	Change
Land	$ 299,595	$ 298,945	(0.2)%
Buildings	6,807,967	7,557,343	11.0 %
Building improvements	34,845	33,330	(4.3)%
Improvements other than buildings	79,090	156,689	98.1 %
Mobile equipment	670,612	644,087	(4.0)%
Furniture and Equipment	121,945	132,375	8.6 %
Construction in Progress	0	45,650	NA
Total	**$ 8,014,054**	**$ 8,868,419**	**10.7 %**

Additional information of the District's capital assets can be found in Note (5) of this report.

Debt Administration. At June 30, 2006, the District had $2,341,387 in limited obligation bonds, three mill fifteen year note and other long-term debt outstanding, of which $363,000 is due within one year.

	Outstanding Debt		Percentage
	2005	2006	Change
Limited obligation bonds payable	$ 955,000	$ 735,000	(23.0)%
Three mill notes payable	1,648,000	1,518,000	(7.9)%
Compensated absences payable	89,914	88,387	(1.7)%
Total	**$ 2,692,914**	**$ 2,341,387**	**(13.1)%**

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

CURRENT ISSUES

The Poplarville Special Municipal Separate 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 operational millage has decreased by 0.85 mills over five years. The total millage has increased by 2.15 mills over five years. Three mills are for repayment of a fifteen year note for school construction and renovation. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will increase approximately 50 students. The budget for the next fiscal year has taken into account this addition in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Poplarville Special Municipal Separate School District, 302 South Julia Street, Poplarville, MS 39470.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT A**
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	$ 9,931,692
Due from other governments	2,131,998
Other receivables, net	13,047
Inventories and prepaid items	33,335
Restricted assets	227,695
Capital assets not being depreciated	
Land	298,945
Construction in progress	45,650
Capital assets, net of accumulated depreciation	
Buildings	7,557,343
Building improvements	33,330
Improvements other than buildings	156,689
Mobile equipment	644,087
Furniture and equipment	132,375
Total Assets	21,206,186
LIABILITIES	
Accounts payable and accrued liabilities	597,786
Deferred revenue	10,917
Interest payable on long-term debt	36,121
Long-term liabilities (due within one year)	
Capital-related liabilities	363,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	1,890,000
Non-capital related liabilities	88,387
Total Liabilities	2,986,211
NET ASSETS	
Invested in capital assets, net of related debt	6,615,419
Restricted net assets	
Expendable:	
School-based activities	2,169,024
Debt service	299,429
Capital improvements	5,227,037
Forestry improvements	25,923
Unemployment benefits	53,056
Non-expendable:	
Sixteenth section	372,714
Unrestricted	3,457,373
Total Net Assets	$ 18,219,975

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT B**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	$ 9,378,033	$ 239,670	$ 3,828,713	$ (5,309,650)
Support services	6,101,205	15,280	2,198,362	(3,887,563)
Non-instructional services	952,496	138,894	713,364	(100,238)
Sixteenth section	20,266	25,701	-	5,435
Interest and other charges related to long-term liabilities	114,490	-	-	(114,490)
Total Governmental Activities	$ 16,566,490	$ 419,545	$ 6,740,439	$ (9,406,506)
General Revenues:				
Taxes:				
General purpose levies				3,865,545
Debt purpose levies				223,477
Unrestricted grants and contributions:				
State				8,685,857
Federal				686,990
Unrestricted investment earnings				279,975
Sixteenth section sources				216,442
Local contributions				471,148
Insurance loss recoveries				500,000
Gain on disposal of capital assets				48,912
Other				29,195
Total General Revenues				15,007,541
Change in Net Assets				5,601,035
Net Assets - Beginning				12,618,940
Net Assets - Ending				$ 18,219,975

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT C**
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	Major Funds					
	General Fund	Emergency Impact Aid Fund	Sixteenth Section Interest Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 1,951,234	$ -	$ 1,482,762	$ 5,227,037	$ 1,498,354	$ 10,159,387
Due from other governments	240,337	1,419,340	-	-	472,321	2,131,998
Due from other funds	1,705,905	-	20,608	-	19,962	1,746,475
Advances to other funds	-	-	-	-	145,020	145,020
Inventories and prepaid items	-	-	-	-	33,335	33,335
Total Assets	$ 3,897,476	$ 1,419,340	$ 1,503,370	$ 5,227,037	$ 2,168,992	$ 14,216,215
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 194,697	$ 31,835	$ 4,265	$ -	$ 366,989	$ 597,786
Due to other funds	12,000	1,387,505	6,812	-	327,111	1,733,428
Advances from other funds	145,020	-	-	-	-	145,020
Deferred revenue	-	-	-	-	10,917	10,917
Total Liabilities	351,717	1,419,340	11,077	-	705,017	2,487,151
Fund balances:						
Reserved for:						
Advances	-	-	-	-	145,020	145,020
Inventory	-	-	-	-	33,335	33,335
Unreserved, designated						
Insurance deductible	500,000	-	-	-	-	500,000
Unreserved, undesignated, reported in:						
General fund	3,045,759	-	-	-	-	3,045,759
Special revenue funds	-	-	1,492,293	-	722,375	2,214,668
Capital project funds	-	-	-	5,227,037	-	5,227,037
Debt service funds	-	-	-	-	335,550	335,550
Permanent funds	-	-	-	-	227,695	227,695
Total Fund Balances	3,545,759	-	1,492,293	5,227,037	1,463,975	11,729,064
Total Liabilities & Fund Balances	$ 3,897,476	$ 1,419,340	$ 1,503,370	$ 5,227,037	$ 2,168,992	$ 14,216,215

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

POPLARVILLE SEPARATE MUNICIPAL SPECIAL SCHOOL DISTRICT **EXHIBIT C-1**

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

	Amount
Total Fund Balance - Governmental Funds (Exhibit C)	$ 11,729,064
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $4,369,736	8,868,419
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(2,253,000)
Compensated Absences	(88,387)
Interest payable on long-term debt	(36,121)
Total Net Assets - Governmental Activities (Exhibit A)	$ 18,219,975

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT D**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Major Funds					
	General Fund	Emergency Impact Aid Fund	Sixteenth Section Interest Funds	Building Projects Funds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	$4,257,259	$ -	$ -	$ 92,470	$ 858,014	$ 5,207,743
State sources	8,319,072	-	-	-	950,226	9,269,298
Federal sources	77,503	3,298,064	-	-	2,858,802	6,234,369
Sixteenth section sources	-	-	257,768	-	39,817	297,585
Total Revenues	12,653,834	3,298,064	257,768	92,470	4,706,859	21,008,995
EXPENDITURES						
Instruction	4,958,231	2,481,545	-	-	1,774,831	9,214,607
Support services	3,284,466	801,106	-	-	1,964,972	6,050,544
Non-instructional services	51,866	-	-	-	897,456	949,322
Sixteenth section	-	-	13,889	-	6,377	20,266
Facilities acquisition and construction	-	-	-	335,979	130,350	466,329
Debt Service:						
Principal	-	-	-	-	350,000	350,000
Interest	6,172	-	-	-	113,826	119,998
Total Expenditures	8,300,735	3,282,651	13,889	335,979	5,237,812	17,171,066
Excess (Deficiency) of Revenues over (under) Expenditures	4,353,099	15,413	243,879	(243,509)	(530,953)	3,837,929
OTHER FINANCING SOURCES (USES)						
Insurance loss recoveries	4,962	-	-	-	500,000	504,962
Sale of property	45,300	-	-	-	-	45,300
Operating transfers in	792,228	-	20,608	2,750,000	343,406	3,906,242
Operating transfers out	(3,701,762)	(15,413)	(6,812)	-	(182,255)	(3,906,242)
Total Other Financing Sources (Uses)	(2,859,272)	(15,413)	13,796	2,750,000	661,151	550,262
Net change in fund balances	1,493,827	-	257,675	2,506,491	130,198	4,388,191
Fund Balances---July 1, 2005	2,051,932	-	1,234,618	2,720,546	1,332,333	7,339,429
Increase in reserve for inventory	-	-	-	-	1,444	1,444
Fund Balances---June 30, 2006	$3,545,759	$ -	$ 1,492,293	$5,227,037	$ 1,463,975	$ 11,729,064

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT D-1**

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

	Amount
Net Change in Fund Balances - Governmental Funds (Exhibit D)	$ 4,388,191
Amounts reported for governmental activities in the statement of 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.	621,402
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(373,031)
In the statement of activities, only gains and losses from the disposal of capital assets are reported, whereas in governmental funds, proceeds from the sale or disposal of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:	
Losses on the disposal of capital assets	(3,624)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Donated capital assets for use as capital assets	609,618
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.	350,000
Under the modified accrual basis of accounting used in the 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, 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	1,527
Accrued interest on bonds	5,508
In the governmental funds, the change in reserve for inventory is disclosed as a separate item affecting fund balance; however, in the statement of activities it is adjusted against non-instructional expenses.	1,444
Change in Net Assets of Governmental Activities (Exhibit B)	$ 5,601,035

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT **EXHIBIT E**
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 709,487
Total Assets	$ 709,487
LIABILITIES	
Accounts payable and accrued liabilities	$ 628,497
Due to student clubs	67,943
Due to other funds	13,047
Total Liabilities	$ 709,487

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

NOTES TO THE 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Poplarville, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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 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.

Emergency Impact Aid Fund – This is a special revenue fund used to account for the school district's revenues earned and expenditures incurred through the Hurricane Education Recovery federal grant monies.

Sixteenth Section Interest Fund – This is a special revenue fund used to account for the school district's earnings from sixteenth section property and investments. These funds may be used for purposes that support the school district.

Building Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital 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.

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

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

I. Capital Assets.

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

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

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

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

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

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

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net

Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date 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.

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.

Unreserved, designated for insurance deductible – An accountant that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses in terms of damages or losses as a result from wind and/or hail.

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 only the compensated absence liability payable from expendable available financial resources.

(2) Changes in Accounting Standards.

As required, the Poplarville Special Municipal Separate 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 government 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 school district's 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 $10,159,387 and $709,487, respectively. The carrying amounts of deposits are reported in the government-wide financial statements as cash and cash equivalents of $9,931,692 and restricted assets of $227,695. The restricted assets represent the cash balance in the Sixteenth Section Principal Funds. The restricted assets are legally restricted and may not be used for purposes that support the district's programs. The bank balance was $11,043,758.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of $11,043,758 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental Funds:		
General fund	$ 1,705,905	$ 12,000
Emergency impact aid fund	-	1,387,505
Sixteenth section fund	20,608	6,812
Other Governmental Funds	19,962	327,111
Fiduciary Funds	-	13,047
Total Funds	$ 1,746,475	$ 1,746.475

The balance between funds result mainly from the time lag between the date the expenditures are incurred and the date the reimbursement is received from the funding source. The general fund finances these expenditures until the funds are reimbursed.

B. Advances To/From Other Funds:

	Advances To	Advances From
Governmental Funds:		
General fund	$ -	$ 145,020
Other Governmental Funds	145,020	-
Total Funds	$ 145,020	$ 145,020

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 June 30	Principal	Interest	Total
2007	9,651	5,801	15,452
2008	10,037	5,415	15,452
2009	10,439	5,013	15,452
2010	10,856	4,596	15,452
2011	11,291	4,161	15,452
2012 – 2016	63,601	13,660	77,261
2017 - 2018	29,145	1,760	30,905
Total	$ 145,020	$ 40,406	$ 185,426

C. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	$ 792,228	$ 3,701,762
Emergency impact aid fund	0	15,413
Sixteenth section fund	20,608	6,812
Building projects fund	2,750,000	0
Non-major Funds	343,406	182,255
Total Funds	$ 3,906,242	$ 3,906,242

The transfers between funds are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

(5) Capital Assets.

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

	Balance 7/1/2005	Additions	Retirements	Balance 6/30/2006
Non-depreciable capital assets:				
Land	$ 299,595	$ -	$ 650	$ 298,945
Construction in progress	-	45,650	-	45,650
Total non-depreciable capital assets	$ 299,595	$ 45,650	$ 650	$ 344,595
Depreciable capital assets:				
Buildings	$ 9,264,347	$ 929,324	$ -	$ 10,193,671
Building improvements	37,875	-	-	37,875
Improvements other than buildings	92,819	84,700	-	177,519
Mobile equipment	1,638,839	93,678	7,000	1,725,517
Furniture and equipment	714,630	77,668	33,320	758,978
Total depreciable capital assets	$ 11,748,510	$ 1,185,370	$ 40,320	$ 12,893,560
Less accumulated depreciation:				
Buildings	$ 2,456,380	$ 179,948	$ -	$ 2,636,328
Building improvements	3,030	1,515	-	4,545
Improvements other than buildings	13,729	7,101	-	20,830
Mobile equipment	968,227	119,503	6,300	1,081,430
Furniture and equipment	592,685	64,964	31,046	626,603
Total accumulated depreciation	$ 4,034,051	$ 373,031	$ 37,346	$ 4,369,736
Total depreciable capital assets, net	$ 7,714,459	$ 812,339	$ 2,974	$ 8,523,824
Governmental activities capital assets, net	$ 8,014,054	$ 857,989	$ 3,624	$ 8,868,419

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 185,577
Support services	174,819
Non-instructional	12,635
Total depreciation expense	$ 373,031

Commitments under construction contracts at June 30, 2006, are summarized as follows:

	Remaining Commitment
Hurricane Katrina Renovations	
Middle school roofing	$227,850
Other various non-capitalized renovations	235,755
Total to be financed with insurance proceeds	**$436,605**

(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	Balance 6-30-2006	Amounts due within one year
A.	Limited obligation bonds payable	$ 955,000	$ 0	$ 220,000	$ 735,000	$ 235,000
B.	Three mill notes payable	1,648,000	0	130,000	1,518,000	128,000
C.	Compensated absences payable	89,914	0	1,527	88,387	0
	Total	$ 2,692,914	$ 0	$ 351,527	$ 2,341,387	$ 363,000

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					
Bond, Series 1998	Varies	05-22-98	08-01-08	$ 2,090,000	$ 735,000

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

Year Ending June 30	Principal	Interest	Total
2007	$ 235,000	$ 27,268	$ 262,268
2008	245,000	16,738	261,738
2009	255,000	5,674	260,674
Total	$ 735,000	$ 49,680	$ 784,680

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 Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax School Note	4.65%	04-04-02	04-01-17	$ 2,000,000	$ 1,518,000

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

Year Ending June 30	Principal	Interest	Total
2007	$ 128,000	$ 70,587	$ 198,587
2008	128,000	64,635	192,635
2009	126,000	58,683	184,683
2010	130,000	52,824	182,824
2011	130,000	46,779	176,779
2012-2016	722,000	138,291	860,291
2017	154,000	7,161	161,161
Total	$ 1,518,000	$ 438,960	$ 1,956,960

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

C. 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 $995,389, $827,193, and $758,768, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to $235,755 and will be financed through insurance proceeds also described in Note 5.

(9) 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	$	48,104
2008		37,595
2009		28,746
2010		21,555
2011		20,085
2012 – 2016		100,425
2017 – 2021		62,015
Total	$	318,525

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to $500,000. For a claim exceeding $500,000, MSBAWCT has insurance, which will pay the excess up to $25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Contingency.

On August 29, 2005 Hurricane Katrina passed through the State of Mississippi. The school district suffered significant damage to many of its facilities during this hurricane. The school district estimates that construction and replacement costs will range between $1.3 million and $1.4 million. St. Paul Travelers Insurance will reimburse a portion of the costs with the Federal Emergency Management Agency and the Mississippi Emergency Management Agency covering a portion of the costs. The school district estimates that the unreimbursed costs will not exceed $100,000.

REQUIRED SUPPLEMENTARY INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDEND JUNE 30, 2006

SCHEDULE 1A

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Local sources	$ 3,899,377	$ 4,249,377	$ 4,257,259	$ 350,000	$ 7,882
State sources	8,059,077	8,309,077	8,319,072	250,000	9,995
Federal sources	40,000	40,000	77,503	-	37,503
Total Revenues	11,998,454	12,598,454	12,653,834	600,000	55,380
EXPENDITURES					
Instruction	7,588,389	6,082,389	4,958,231	1,506,000	1,124,158
Support services	4,352,181	3,902,181	3,284,466	450,000	617,715
Non-instructional services	63,000	77,000	51,866	(14,000)	25,134
Debt Service:					
Interest	6,172	6,172	6,172	-	-
Total Expenditures	12,009,742	10,067,742	8,300,735	1,942,000	1,767,007
Excess (deficiency) of Revenues over (under) Expenditures	(11,288)	2,530,712	4,353,099	2,542,000	1,822,387
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveriess	-	-	4,962	-	4,962
Sale of Property	-	45,000	45,300	45,000	300
Operating transfers in	343,743	843,743	792,228	500,000	(51,515)
Operating transfers out	(462,475)	(3,782,475)	(3,701,762)	(3,320,000)	80,713
Total Other Financing Sources (Uses)	(118,732)	(2,893,732)	(2,859,272)	(2,775,000)	34,460
Net change in fund balances	(130,020)	(363,020)	1,493,827	(233,000)	1,856,847
Fund Balances—July 1, 2005	1,560,000	2,051,932	2,051,932	491,932	-
Fund Balances—June 30, 2006	$ 1,429,980	$ 1,688,912	$ 3,545,759	$ 258,932	$ 1,856,847

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE EMERGENCY IMPACT AID FUND
FOR THE YEAR ENDEND JUNE 30, 2006

SCHEDULE 1B

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Federal sources	$ -	$ 3,302,100	$ 3,298,064	$ 3,302,100	$ (4,036)
Total Revenues	-	3,302,100	3,298,064	3,302,100	(4,036)
EXPENDITURES					
Instructional	-	2,483,000	2,481,545	(2,483,000)	1,455
Support services	-	803,500	801,106	(803,500)	2,394
Total Expenditures	-	3,286,500	3,282,651	(3,286,500)	3,849
Excess (deficiency) of Revenues over (under) Expenditures	-	15,600	15,413	15,600	(187)
OTHER FINANCING SOURCES (USES)					
Operating transfers out	-	(15,600)	(15,413)	(15,600)	187
Total Other Financing Sources (Uses)	-	(15,600)	(15,413)	(15,600)	187
Net change in fund balances	-	-	-	-	-
Fund Balances---July 1, 2005	-	-	-	-	-
Fund Balances---June 30, 2006	$ -	$ -	$ -	$ -	$ -

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SIXTEENTH SECTION FUND
FOR THE YEAR ENDEND JUNE 30, 2006

SCHEDULE 1C

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	$ 209,950	$ 208,600	$ 257,768	$ (1,350)	$ 49,168
Total Revenues	209,950	208,600	257,768	(1,350)	49,168
EXPENDITURES					
Sixteenth section	17,950	17,100	13,889	850	3,211
Total Expenditures	17,950	17,100	13,889	850	3,211
Excess (deficiency) of Revenues over (under) Expenditures	192,000	191,500	243,879	(500)	52,379
OTHER FINANCING SOURCES (USES)					
Operating transfers in	21,000	21,000	20,608	-	(392)
Operating transfers out	(7,500)	(8,000)	(6,812)	(500)	1,188
Total Other Financing Sources (Uses)	13,500	13,000	13,796	(500)	796
Net change in fund balances	205,500	204,500	257,675	(1,000)	53,175
Fund Balances---July 1, 2005	1,200,000	1,234,618	1,234,618	34,618	-
Fund Balances---June 30, 2006	$ 1,405,500	$ 1,439,118	$ 1,492,293	$ 33,618	$ 53,175

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

Budgetary Comparison Schedules

(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 revision

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.

Budgeted revenues and expenditures in the Emergency Impact Aid Fund were developed subsequent to the original budget due to funds becoming available and approved subsequent to Hurricane Katrina.

Significant variances in the final to actual expenditures in the General Fund were a result from Emergency Impact Aid funds received in the amount of $3,298,064 supporting salaries and fringe benefits that had been paid in previous years by the General Fund.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 33,990
Child nutrition cluster		
School breakfast program	10.553	162,847
National school lunch program	10.555	532,592
Summer food service program for children	10.559	20,389
Total child nutrition cluster		715,828
Fresh fruit and vegetable program	10.582	20,946
Federal Communications Commission		
Administered through Universal Service Administrative Company:		
Schools and libraries program of the universal service fund	32.XXX	41,095
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	732,552
Vocational education - basic grants to states	84.048	27,400
Safe and drug-free schools and communities national programs	84.184	77,050
Safe and drug-free schools and communities - state grants	84.186	14,571
Innovative education programs strategies	84.298	6,510
Education technology state grants	84.318	16,443
Comprehensive school reform demonstration	84.332	65,000
Rural education achievement program	84.358	69,570
Literacy through school libraries	84.364	308,591
Improving teacher quality - state grants	84.367	150,297
Grants for state assessments and related activities	84.369	12,838
Hurricane education recovery	84.938	3,298,064
Total		4,778,886
Special education cluster:		
Special education - grants to states	84.027	378,878
Special education - preschool grants	84.173	20,943
Total		399,821
Total passed-through Mississippi Department of Education		5,178,707
Total U.S. Department of Education		5,178,707
U S Department of Health and Human Services		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education	93.235	54,029
Medical assistance program	93.778	56,302
Total passed-through Mississippi Department of Health and Human Services		110,331
Department of Homeland Security		
Passed-through Mississippi Emergency Management Agency:		
Disaster grants - public assistance (Presidentially Declared Disaster)	97.036	640,518
Total for All Federal Awards		$ 6,741,415

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies 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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDEND JUNE 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 12,328,672	$ 9,622,495	$ 515,104	$ 840,431	$ 1,350,642
Other	4,842,394	1,797,496	119,070	27,945	2,897,883
Total	$ 17,171,066	$ 11,419,991	$ 634,174	$ 868,376	$ 4,248,525
Total number of students *	1,968				
Cost per student	$ 8,725	$ 5,803	$ 322	$ 441	$ 2,159

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

Instruction and Other Student Instrumental Expenditures – includes 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 Administrative (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 Administration Categories.

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

Include 100 and 200 range object codes on the "Salaries and fringe benefits" lines all other expenditures on the "Other" line.

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

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Mississippi Society of Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2006, which collectively comprise the Poplarville Special Municipal Separate School District basic financial statements and have issued our report thereon dated July 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
July 3, 2007

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

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance In Accordance with OMB Circular A-133

Superintendent and School Board
Poplarville Special Municipal Separate School District

Compliance

We have audited the compliance of the Poplarville Special Municipal Separate 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 accompanying 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, Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate 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.

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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
July 3, 2007

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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Independent Auditor's Report on Compliance with State Laws and Regulations

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2006, which collectively comprise the school district's basic financial statements and have issued our report thereon dated July 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with 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 **$8,273** 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 other instances of noncompliance with 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.

KING CPA, PLLC
Petal, Mississippi
July 3, 2007

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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 basic financial statements. — UNQUALIFIED

2. Material noncompliance relating to the basic financial statements? — NO

3. Internal control over financial reporting:
   a. Material weakness (es) identified? — NO
   b. Reportable condition(s) identified that are not considered to be material weakness? — NO

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: — UNQUALIFIED

5. Internal control over major programs:
   a. Material weakness (es) identified? — NO
   b. Reportable condition(s) identified that are not considered to be material weaknesses? — NO

6. Any audit finding(s) reported as required by section__.510(a) of OMB Circular A-133? — NO

7. Federal programs identified as major programs:

Literacy Through School Libraries	CFDA #	84.364
Hurricane Education Recovery	CFDA #	84.938
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	CFDA #	97.036

8. The dollar threshold used to distinguish between Type A and Type B programs: — $300,000

9. Auditee qualified as a low-risk auditee? — YES

10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section__.315(b) of OMB Circular A-133? — NO

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 Cost

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

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

Finding	Correction Action Plan Details
None	

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTICT

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Poplarville Special Municipal Separate School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2006:

Finding	Corrective Action Plan Details

There are no unresolved prior audit findings.