

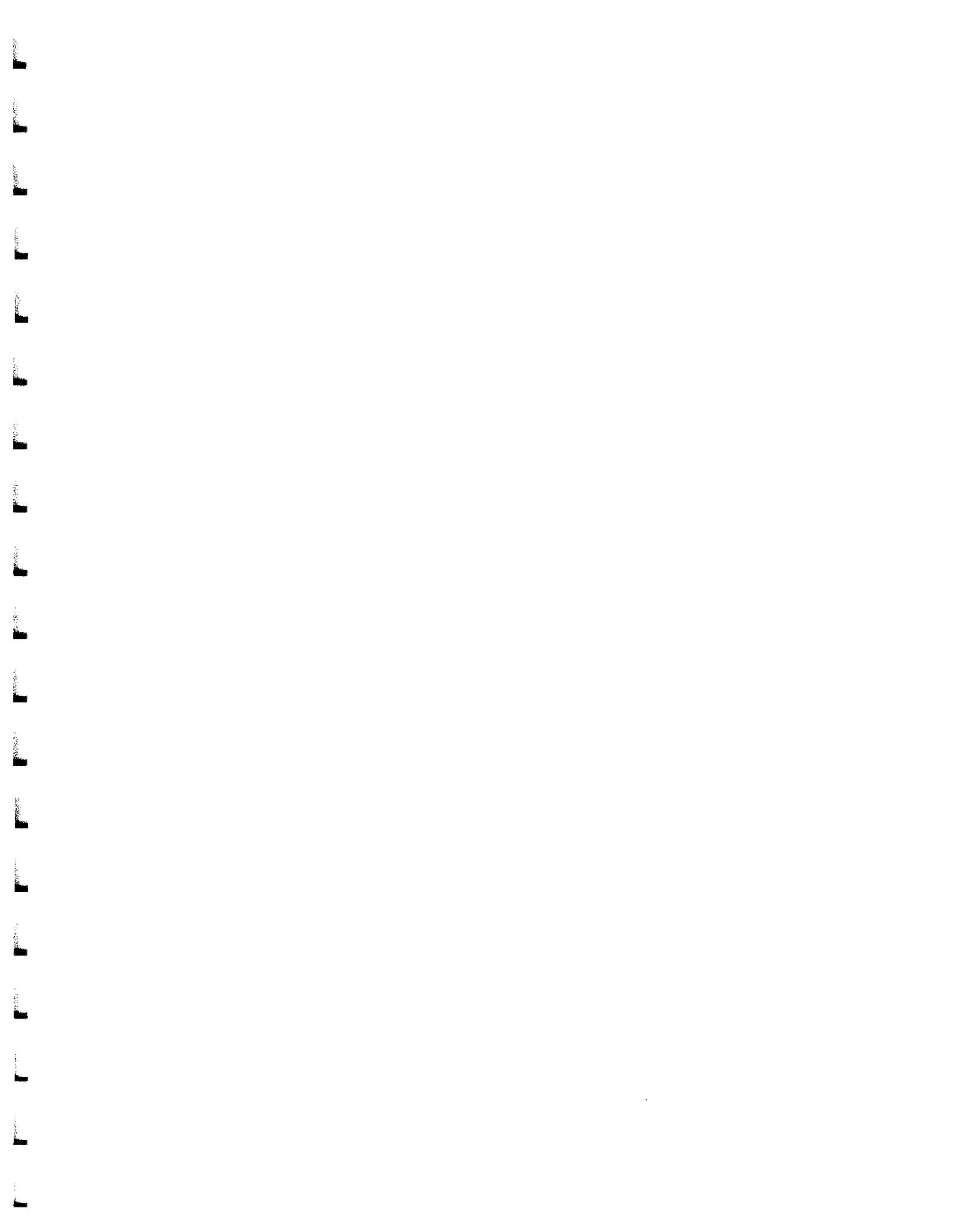


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South Delta School District
Financial Statements
June 30, 2006

Ellis & Hirsberg
Certified Public Accountants, PLLC
Clarksdale, Mississippi







SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

SOUTH DELTA SCHOOL DISTRICT

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

Superintendent and School Board
South Delta School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta 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 November 28, 2006, on our consideration of the South Delta School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and corresponding notes on pages 37 through 42 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 South Delta 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. 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.

Ellis + Hensley CPA PLLC

November 28, 2006

SOUTH DELTA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH DELTA SCHOOL DISTRICT

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

The discussion and analysis of South Delta 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 the financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

Total net assets increased \$55,496, which represents .87% increase from fiscal year 2005.

General revenues account for \$7,825,778 in revenue, or 67.38% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,788,080 or 32.62% of total revenues.

The District had \$11,558,362 in expenses; only \$3,788,080 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$7,825,778 were adequate to provide for these programs.

Among major funds, the General Fund had \$7,223,012 in revenues and \$7,115,787 in expenditures. The General Fund's fund balance decreased \$428,711 under the prior year. This decrease in fund balance is due in part to an increase in support services.

Capital assets, net of accumulated depreciation, increased by \$77,687. The District purchased two new school buses and computer equipment.

Long-term debt decreased by \$6,223. The decrease was due to a reduction in compensated absences.

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, and sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 15 - 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 24, 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 18 - 25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

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 26 - 36 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 37 - 42 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$6,442,308 as of June 30, 2006.

By far the largest portion of the District's net assets 18.52% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment). 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 disposal of capital assets and the depreciation of capital assets.

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

	June 30, 2006 <u>Amount</u>	June 30, 2005 <u>Amount</u>	Percentage <u>Change</u>
Current assets	\$ 6,266,831	\$ 6,228,662	.6%
Capital assets, net	<u>1,193,018</u>	<u>1,115,331</u>	6.9%
Total assets	<u>7,459,849</u>	<u>7,343,993</u>	1.58%
Current liabilities	943,276	876,693	7.6%
Long-term debt outstanding	<u>74,265</u>	<u>80,488</u>	(7.7%)
Total liabilities	<u>1,017,541</u>	<u>957,181</u>	5.7%
Net assets:			
Invested in capital assets, net of related debt	1,193,018	1,115,331	6.9%
Restricted	4,364,057	3,970,204	9.9%
Unrestricted	<u>885,233</u>	<u>1,301,277</u>	32.0%
Total net assets	<u>\$ 6,442,308</u>	<u>\$ 6,386,812</u>	.9%

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2006 and 2005 were \$11,613,858 and \$10,888,796, respectively. The total cost of all programs and services was \$11,558,362 and \$10,568,253, respectively. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>Changes in Net Assets</u>		Percentage <u>Change</u>
	June 30, 2006 <u>Amount</u>	June 30, 2005 <u>Amount</u>	
Revenues:			
Program revenues			
Charges for services	\$ 118,220	\$ 167,824	29.6%
Operating grants and contributions	3,669,860	3,176,870	15.5%
General revenues			
Property taxes	1,545,964	1,610,523	34.6%
Grants and contributions not restricted	5,500,379	5,350,991	2.8%
Other	<u>779,435</u>	<u>582,588</u>	32.8%
Total revenues	<u>11,613,858</u>	<u>10,888,796</u>	
Expenses:			
Instruction	5,521,653	4,972,557	11.0%
Support services	5,170,907	4,703,258	9.9%
Non-instructional	830,770	844,350	1.6%
Sixteenth section	<u>35,032</u>	<u>48,088</u>	27.2%
Total expenses	<u>11,558,362</u>	<u>10,568,253</u>	9.4%
Increase in net assets	<u>55,496</u>	<u>320,543</u>	82.6%
Net Assets, July 1	<u>6,386,812</u>	<u>6,066,269</u>	5.3%
Net Assets, June 30	<u>\$ 6,442,308</u>	<u>\$ 6,386,812</u>	.9%

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

The District did not contract their bus with Tougalou College for use during the summer as part of Tougalou's Upward Bound Project.

Other activity fund revenues were down due in part to decreased attendance at the ball games and the closing of the ROTC store.

Operating grants and contributions were up because of a shift in some of the state and federal funding.

Property taxes were down in part because of some property being removed from the county tax roll.

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional and sixteenth section. 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	\$ 5,521,653	(3,945,164)	4,972,557	(3,611,849)
Support services	5,170,907	(3,840,688)	4,703,258	(3,667,066)
Non-instructional	830,770	50,602	844,350	103,444
Sixteenth section	35,032	(35,032)	48,088	(48,088)
Total expenses	\$ 11,558,362	(7,770,282)	10,568,253	(7,223,559)

Net cost of governmental activities \$7,770,282, was financed by general revenue, which is made up primarily of property taxes \$1,545,964, and state revenue \$5,294,799.

Investment earnings accounted for \$87,120 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 \$5,323,556, a decrease of \$34,976. \$4,430,027 or 83.22% 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 \$893,529 or 16.78% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$428,711, a result of an increase in support services. The fund balance of the Sixteenth Section Interest Fund increased by \$647,631 over the previous year due to investment earnings. The fund balance of the Building Improvements Fund decreased by \$204,458 due to expenditures for support services. The fund balance of Other Governmental Funds decreased by \$49,438.

BUDGETARY HIGHLIGHTS

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

Budgeted amounts for expenditures were increased as the year progressed and the actual spending trends became clearer.

A schedule showing the original and final budget amounts compared to the District’s actual financial activity for the General Fund and other major 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 \$4,140,192, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents a net increase of \$245,764 from the previous year. Two new school buses and new computer equipment were purchased during the year. The deletions represent retirement of obsolete equipment. Total accumulated depreciation as of June 30, 2006 was \$2,947,174 and total depreciation expense for the year was \$183,905, resulting in total net assets of \$1,193,018.

	<u>Capital Assets Net of Depreciation</u>		<u>Percent Change</u>
	<u>2006</u>	<u>2005 As Adjusted</u>	
Land	\$ 57,128	\$ 57,128	0.0%
Buildings	334,797	339,246	(1.3%)
Mobile Equipment	618,374	567,276	9.0%
Furniture & Fixtures	<u>182,719</u>	<u>151,681</u>	20.5%
<u>Totals</u>	\$ <u>1,193,018</u>	\$ <u>1,115,331</u>	7.0%

Additional information of the District’s capital assets can be found in Note 5 on page 32 of this report.

Debt administration. At June 30, 2006 the only long-term debt that the District had was for compensated absences. That debt was considered to be long-term.

	<u>Outstanding Debt</u>		<u>Percent Change</u>
	<u>2006</u>	<u>2006</u>	
Compensated absences payable	\$ 74,265	\$ 80,488	7.7%

Additional information about the District’s long-term debt can be found in Note 6 on page 33.

CURRENT ISSUES

The South Delta School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The millage has remained constant for the last few years. 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 of the District will decline by 49 students. The budget for the next fiscal year has taken into account this reduction 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 South Delta School District, P. O. Box 219, Rolling Fork, MS 39159.

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

FINANCIAL STATEMENTS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 5,543,974
Due from other governments	659,818
Other receivables, net	41,705
Inventories and prepaid items	21,334
Capital assets, not being depreciated: (Note 5)	
Land	57,128
Capital assets, net of accumulated depreciation: (Note 5)	
Buildings	334,797
Mobile equipment	618,374
Furniture and equipment	<u>182,719</u>
Total Assets	\$ <u><u>7,459,849</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 943,276
Long-term liabilities, due beyond one year: (Note 6)	
Non-capital related liabilities	<u>74,265</u>
Total Liabilities	\$ <u><u>1,017,541</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 1,193,018
Restricted net assets:	
Expendable:	
School-based activities	3,491,862
Capital improvements	795,542
Forestry improvements	27,405
Unemployment benefits	49,248
Unrestricted	<u>885,233</u>
Total Net Assets	\$ <u><u>6,442,308</u></u>

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

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Governmental Activities:					
Instruction	\$ 5,521,653	78,660	1,497,829		(3,945,164)
Support services	5,170,907		1,330,219		(3,840,688)
Non-instructional services	830,770	39,560	841,812		50,602
Sixteenth section	<u>35,032</u>				<u>(35,032)</u>
Total governmental activities	\$ <u>11,558,362</u>	<u>118,220</u>	<u>3,669,860</u>	<u>0</u>	<u>(7,770,282)</u>
General Revenues:					
Taxes:					
					1,545,964
Unrestricted grants and contributions:					
					5,294,799
					205,580
					87,120
					628,077
					<u>64,238</u>
					<u>7,825,778</u>
					<u>55,496</u>
					<u>6,386,812</u>
					<u>\$ 6,442,308</u>

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

SOUTH DELTA SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

Major Funds		General Fund	Title I - A Basic	Sixteenth Section Interest Fund	Building Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents (Note 3)	\$	805,535		3,225,373	962,190	550,876	5,543,974
Due from other governments		1,511,096	188,774			319,949	659,819
Other receivables, net				4,788			4,788
Due from other funds (Note 4)		327,617				22,204	349,821
Inventories and prepaid items						21,334	21,334
Total Assets	\$	<u>1,284,248</u>	<u>188,774</u>	<u>3,230,161</u>	<u>962,190</u>	<u>914,363</u>	<u>6,579,736</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$	389,683	119,426	37,856	166,648	229,662	943,275
Due to other funds (Note 4)		<u>4,284</u>	<u>69,348</u>			<u>239,273</u>	<u>312,905</u>
Total Liabilities		<u>393,967</u>	<u>188,774</u>	<u>37,856</u>	<u>166,648</u>	<u>468,935</u>	<u>1,256,180</u>
Fund Balances:							
Reserved for:							
Inventories						21,334	21,334
Capital projects funds					795,542		795,542
Unemployment benefits						49,248	49,248
Forestry improvements						27,405	27,405
Unreserved:							
Undesignated, reported in:							
General fund		890,281					890,281

Special Revenue funds			<u>3,192,305</u>		<u>347,441</u>	<u>3,539,746</u>
Total Fund Balances	<u>890,281</u>	<u>0</u>	<u>3,192,305</u>	<u>795,542</u>	<u>445,428</u>	<u>5,323,556</u>
Total Liabilities and Fund Balances	<u>\$ 1,284,248</u>	<u>188,774</u>	<u>3,230,161</u>	<u>962,190</u>	<u>914,363</u>	<u>6,579,736</u>

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

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2006

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,323,556
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,947,174.	1,193,018
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(74,265)
3. Other adjustments - rounding	<u>(1)</u>
Total Net Assets - Governmental Activities	\$ <u><u>6,442,308</u></u>

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

SOUTH DELTA SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 For the year ended June 30, 2006

	Major Funds					Total Governmental Funds
	General Fund	Title I - A Basic	Sixteenth Section Interest Fund	Building Improvements Fund	Other Governmental Funds	
Revenues:						
Local sources	1,675,453				48,109	1,723,562
State sources	5,330,887				434,085	5,764,972
Federal sources	216,672	1,272,120			1,916,475	3,405,267
Sixteenth section sources			678,485		10,421	688,906
Total Revenues	7,223,012	1,272,120	678,485	0	2,409,090	11,582,707
Expenditures:						
Instruction	3,539,416	581,446			1,381,537	5,502,399
Support services	3,576,371	586,824		204,458	899,278	5,266,931
Non-instructional services		83,001			761,471	844,472
Sixteenth section			30,854		4,178	35,032
Total Expenditures	7,115,787	1,251,271	30,854	204,458	3,046,464	11,648,834
Excess (Deficiency) of Revenues Over Expenditures	107,225	20,849	647,631	(204,458)	(637,374)	(66,127)
Other Financing Sources (Uses):						
Insurance loss recoveries	30,750				401	31,151
Operating transfers in	451,914				661,026	1,112,940
Operating transfers out	(1,018,600)	(20,849)			(73,491)	(1,112,940)
Total Other Financing Sources (Uses)	(535,936)	(20,849)	0	0	587,936	31,151
Net Change in Fund Balances	(428,711)	0	647,631	(204,458)	(49,438)	(34,976)

Fund Balances:						
July 1, 2005	1,318,992	2,544,674	1,000,000	488,303	5,351,969	
Increase in reserve for inventory				6,563	6,563	
June 30, 2006	<u>890,281</u>	<u>3,192,305</u>	<u>795,542</u>	<u>445,428</u>	<u>5,323,556</u>	

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

SOUTH DELTA 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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (34,976)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$261,752 and the depreciation expenses amounted to \$183,905. (Note 5)	77,847
2. 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	6,223
3. Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	(160)
4. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.	6,563
5. Miscellaneous rounding adjustment	<u>(1)</u>
Change in net assets of governmental activities	\$ <u><u>55,496</u></u>

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

SOUTH DELTA SCHOOL DISTRICT
 Statement of Fiduciary Net Assets
 June 30, 2006

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>276,564</u>
Total Assets	\$ <u><u>276,564</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 225,271
Due to other funds	36,916
Due to student clubs	<u>14,377</u>
Total Liabilities	\$ <u><u>276,564</u></u>

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

SOUTH DELTA 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 of which each member was elected by the citizens of each defined 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.

SOUTH DELTA SCHOOL DISTRICT

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

C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and 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.

Title I-A Basic - This is a federal program to supplement classroom teaching efforts.

Sixteenth Section Interest Fund - This fund collects revenue from sixteenth section property and shared revenues from other school districts and pays for expenses for sixteenth section property.

Building Improvement Fund - This fund is set up to pay for major renovations of existing buildings.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statement.

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.

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.

SOUTH DELTA SCHOOL DISTRICT

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

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 their 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 acquisitions and construction are reflected as expenditures in the governmental fund statements and 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

SOUTH DELTA SCHOOL DISTRICT

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

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
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.

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:

SOUTH DELTA SCHOOL DISTRICT

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the counties 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.

SOUTH DELTA SCHOOL DISTRICT

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

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 only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards.

As required, the South Delta School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting from 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.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,543,974 and \$276,564, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$5,543,974 and restricted assets \$-0-. The bank balance was \$6,221,411.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balances of \$6,221,411 was exposed to custodial credit risk.

SOUTH DELTA 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:

	Due From	Due To
Major funds:		
General fund	\$ 327,617	4,284
Other major funds		
Title I-A Basic		69,348
Non-major Funds		
Other Governmental Funds	22,204	239,273
Agency Funds		36,916
Total Funds	\$ 349,821	349,821

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 451,914	1,018,600
Other major funds		
Title I-A Basic		20,849
Non-major Funds		
	661,026	73,491
Total Funds	\$ 1,112,940	1,112,940

Transfers were made to avoid borrowing from outside sources.

(5) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 57,128				57,128
Total non-depreciable capital assets	57,128	0	0	0	57,128
<u>Depreciable capital assets:</u>					
Buildings	1,543,529				1,543,529

SOUTH DELTA SCHOOL DISTRICT

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

	Balance 7-1-2005	Additions	Retirements	Adjustments	Balance 6-30-2006
Mobile equipment	1,530,084	144,655			1,674,739
Furniture and equipment	763,687	117,097	15,988		864,796
Total depreciable capital assets	<u>3,837,300</u>	<u>261,752</u>	<u>15,988</u>	<u>0</u>	<u>4,083,064</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,204,283	4,449			1,208,732
Mobile equipment	647,455	93,557		315,353	1,056,365
Furniture and fixtures	927,359	85,899	15,828	(315,353)	682,077
Total accumulated depreciation	<u>2,779,097</u>	<u>183,905</u>	<u>15,828</u>	<u>0</u>	<u>2,947,174</u>
Total depreciable capital assets, net	<u>1,058,203</u>	<u>77,847</u>	<u>160</u>	<u>0</u>	<u>1,135,890</u>
Governmental activities capital assets, net	<u>\$ 1,115,331</u>	<u>77,847</u>	<u>160</u>	<u>0</u>	<u>1,193,018</u>

The adjustment is required to properly reclassify some mobile equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 22,920
Support services	157,457
Non-instructional	<u>3,528</u>
Total depreciation expense	<u>\$ 183,905</u>

(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
Compensated absences payable	\$ 80,488		6,223	74,265	
Total	<u>\$ 80,488</u>	<u>0</u>	<u>6,223</u>	<u>74,265</u>	<u>0</u>

Compensated absences payable.

As more fully explained in Note 1(N), 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

SOUTH DELTA SCHOOL DISTRICT

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

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 \$ 610,030, \$538,733, and \$531,903, 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.

Year Ending June 30	Amount
2007	\$ 434,597
2008	366,421
2009	142,114
2010	140,989
2011	89,262
2012 - Thereafter	<u>202,686</u>
Total	<u>\$ 1,376,069</u>

(9) Litigation.

The district has the following lawsuit pending against them:

A suit was filed in January 2004 styled Sonya Stewart, individually and as mother and next friend of Erica Stewart and Amy Stewart vs. South Delta School District. The suit claims that Erica and Amy Stewart were injured when they were involved in a fight with another student at the vocational center of the school district. Depositions of the Plaintiffs have been taken and a Scheduling Order is set to be entered in the next few weeks. The school district has insurance coverage for this claim and intends to vigorously defend this suit and maintains that it has no liability whatsoever.

No provision for loss has been reflected in these financial statements.

(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. The district carries commercial insurance for

SOUTH DELTA SCHOOL DISTRICT

Notes to Financial Statements
For the Year Ended June 30, 2005

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 Bancorp South 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) Contingencies.

The school district has the following contracts for roof repairs which are just repairs, not construction, on going at June 30, 2006:

	<u>Total Contract</u>	<u>Paid Thru June 30, 2006</u>	<u>Unbilled</u>
Ralph McKnight & Sons Construction	\$ 485,284	193,963	291,321

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Local sources	\$ 1,652,532	1,652,532	1,675,453	0	22,921
State sources	5,277,313	5,277,972	5,330,887	659	52,915
Federal sources	379,481	379,481	216,672	0	(162,809)
Total Revenues	<u>7,309,326</u>	<u>7,309,985</u>	<u>7,223,012</u>	<u>659</u>	<u>(86,973)</u>
Expenditures:					
Instruction	3,820,439	3,837,526	3,539,416	(17,087)	298,110
Support services	4,405,719	4,406,319	3,576,371	(600)	829,948
Non-instructional services	4,350	4,350		0	4,350
Total Expenditures	<u>8,230,508</u>	<u>8,248,195</u>	<u>7,115,787</u>	<u>(17,687)</u>	<u>1,132,408</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(921,182)</u>	<u>(938,210)</u>	<u>107,225</u>	<u>(17,028)</u>	<u>1,045,435</u>
Other Financing Sources (Uses):					
Insurance loss recoveries			30,750	0	30,750
Operating transfers in	1,046,453	1,046,453	451,914	0	(594,539)
Operating transfers out	<u>(1,101,410)</u>	<u>(1,110,310)</u>	<u>(1,018,600)</u>	<u>(8,900)</u>	<u>91,710</u>
Total Other Financing Sources (Uses)	<u>(54,957)</u>	<u>(63,857)</u>	<u>(535,936)</u>	<u>(8,900)</u>	<u>(472,079)</u>
Net Change in Fund Balances	<u>(976,139)</u>	<u>(1,002,067)</u>	<u>(428,711)</u>	<u>(25,928)</u>	<u>573,356</u>
Fund Balances:					
July 1, 2005	<u>1,220,567</u>	<u>1,318,992</u>	<u>1,318,992</u>	<u>98,425</u>	<u>0</u>
June 30, 2006	<u>\$ 244,428</u>	<u>316,925</u>	<u>890,281</u>	<u>72,497</u>	<u>573,356</u>

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

SOUTH DELTA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I-A Basic
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Federal sources	1,153,146	1,734,370	1,272,120	581,224	(462,250)
Total Revenues	1,153,146	1,734,370	1,272,120	581,224	(462,250)
Expenditures:					
Instruction	598,893	753,237	581,446	(154,344)	171,791
Support services	445,743	868,581	586,824	(422,838)	281,757
Non-instructional services	87,576	91,703	83,001	(4,127)	8,702
Total Expenditures	1,132,212	1,713,521	1,251,271	(581,309)	462,250
Excess (Deficiency) of Revenues Over Expenditures	20,934	20,849	20,849	(85)	0
Other Financing Sources (Uses):					
Operating transfers out	(20,934)	(20,849)	(20,849)	85	0
Total Other Financing Sources (Uses)	(20,934)	(20,849)	(20,849)	85	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2005				0	0
June 30, 2006	\$ 0	0	0	0	0

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

SOUTH DELTA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original To Final	Final To Actual
Revenues:					
Sixteen section sources	\$ 528,000	528,000	678,485	0	150,485
Total Revenues	528,000	528,000	678,485	0	150,485
Expenditures:					
Sixteenth section	90,000	90,000	30,854	0	59,146
Total Expenditures	90,000	90,000	30,854	0	59,146
Excess (Deficiency) of Revenues Over Expenditures	438,000	438,000	647,631	0	209,631
Other Financing Sources (Uses):					
Operating transfers out	(600,000)	(600,000)		0	600,000
Total Other Financing Sources (Uses)	(600,000)	(600,000)	0	0	600,000
Net Change in Fund Balances	(162,000)	(162,000)	647,631	0	809,631
Fund Balances:					
July 1, 2005	2,450,000	2,544,674	2,544,674	94,674	0
June 30, 2006	\$ 2,288,000	2,382,674	3,192,305	94,674	809,631

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

SOUTH DELTA 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions.

The budget is adopted by the school board and 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.

SOUTH DELTA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

SOUTH DELTA 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>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 44,070
Child nutrition cluster:		
School breakfast program	10.553	220,024
National school lunch program	10.555	461,755
Summer food service program for children	10.559	50,045
Total child nutrition cluster		<u>731,824</u>
Fresh fruit and vegetable program	10.582	<u>42,060</u>
Total U.S. Department of Agriculture		<u>817,954</u>
<u>U.S. Department of Defense</u>		
Direct program		
Reserve Officers' Training Corps	12.XXX	21,850
Total U. S. Department of Defense		<u>21,850</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	160,660
Total Federal Communications Commission		<u>160,660</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,366,520
Vocational education - basic grants to states	84.048	31,083
Safe and drug-free schools and communities - state grants	84.186	17,549
Education for homeless children and youth	84.196	25,000
Eisenhower professional development state grants	84.281	138,613
State grants for innovative programs	84.298	8,040
Education technology state grants	84.318	229,725
Rural education	84.358	74,868
Improving teacher quality - state grants	84.367	96,991
Grants for state assessments and related activities	84.369	8,196
Hurricane education recovery	84.938	37,554
Total		<u>2,034,139</u>
Special education cluster:		
Special education - grants to states	84.027	282,151
Special education - preschool grants	84.173	28,530
Total special education cluster		<u>310,681</u>
Total passed-through Mississippi Department of Education		<u>2,344,820</u>
Total U.S. Department of Education		<u>2,344,820</u>

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>Department of Homeland Security</u>		
Disaster Assistance Project	97.088	11,092
Total Department of Homeland Security		<u>11,092</u>
Total for All Federal Awards		\$ <u><u>3,356,376</u></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.

SOUTH DELTA SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other			Other
		Student Instructional Expenditures	General Administrative	School Administrative	
Salaries and fringe benefits	\$ 7,755,194	4,886,386	585,991	371,328	1,911,489
Other	3,893,640	616,336	120,022	73,881	3,083,401
Total	\$ 11,648,834	5,502,722	706,013	445,209	4,994,890
Total number of students	1,309				
Cost per student	\$ 8,899	4,204	539	340	3,816

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, and 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 Administration Categories

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

SOUTH DELTA SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

SOUTH DELTA SCHOOL DISTRICT

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

Superintendent and School Board
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2006, which collectively comprise the South Delta School District's basic financial statements, and have issued our report thereon dated November 28, 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 opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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, grants, 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 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.

Ellis & Hirsberg CPA PLLC

November 28, 2006

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
South Delta School District

Compliance

We have audited the compliance of the South Delta 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, South Delta 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 South Delta 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 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.

Ellis Harberg CPA PLLC

November 28, 2006

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
South Delta School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 28, 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*.

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 \$17,903 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.

November 28, 2006



SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

SCHEDULE OF FINDINGS

SOUTH DELTA SCHOOL DISTRICT

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SOUTH DELTA SCHOOL DISTRICT

Schedule of Findings
For the Year Ended June 30, 2006

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditors' 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 Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I - Grants to Local Education Agencies
CFDA # 84.010 | |
| b. | Special Education Cluster
CFDA # 84.027
CFDA # 84.173 | |
| 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 relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests 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 and questioned costs related to the federal awards.

SOUTH DELTA SCHOOL DISTRICT

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