



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

VICKSBURG WARREN SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2006

Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi

VICKSBURG WARREN SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	2
MANAGEMENT DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	19
Statement of Fiduciary Net Assets	20
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	40
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Displaced Student Fund	43
Budgetary Comparison Schedule - 16th Section District Fund	44
Notes to the Required Supplementary Information	45
SUPPLEMENTAL INFORMATION	46
Schedule of Expenditures of Federal Awards	47
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	49

VICKSBURG WARREN SCHOOL DISTRICT

TABLE OF CONTENTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE	50
Independent Auditor's Report on Internal Control and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
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	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	55
Independent Auditor's Report on Compliance with State Laws and Regulations	56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	57
AUDITEE'S CORRECTIVE ACTION PLAN	60
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	62

VICKSBURG WARREN SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

BRIDGERS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)
3528 Manor Drive
Vicksburg, MS 39180-5693

TELEPHONE (601) 636-1416
FAX (601) 636-1417

DAVID I. BRIDGERS, JR., CPA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
AICPA PRIVATE COMPANIES
PRACTICE SECTION

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

Superintendent and School Board
Vicksburg Warren School District

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

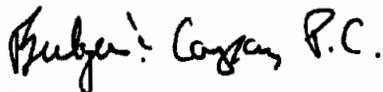
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 Vicksburg Warren 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 June 25, 2007, on our consideration of the Vicksburg Warren School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 11 and the Budgetary Comparison Schedule and corresponding notes on page 41 through 45 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 Vicksburg Warren 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.



Bridgers & Company, P.C.
Vicksburg, Mississippi
June 25, 2007

VICKSBURG WARREN SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS

**VICKSBURG WARREN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

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

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No.34, the Statement permits the omission of prior year data in the year of implementation. The School District has elected not to present comparative data.

FINANCIAL HIGHLIGHTS

Total net assets increased by \$2,445,400 which represents 1.07% increase from fiscal year 2005.

General revenues account for \$56,941,320 in revenue, or 79.70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,498,835 or 20.30% of total revenues.

The District had \$68,994,755 in expenses; only \$14,498,835 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$56,941,320 were adequate to provide for these programs.

Among major funds, the General Fund had \$54,703,913 in revenues and \$52,109,238 in expenditures. The General Fund's fund balance increased \$606,555 from the prior year. This increase resulted from the district's receipt of reimbursement funding of disaster related expenditures.

Capital assets, net of accumulated depreciation, decreased by \$758,234. Long-term debt decreased by \$1,493,456.

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 indication 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 on long-term liabilities.

The government-wide financial statements can be found on pages 14 -15 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spend able resources, as well as on balances of spend able 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 government 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 government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

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

The basic governmental fund financial statements can be found on pages 16 – 19 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 20

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 39 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 41 – 44 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 can be found on pages 46 and 47, respectively.

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 \$36,568,258 as of June 30, 2006.

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

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

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	Percentage <u>Change</u>
Current assets	\$ 20,818,546	18,915,788	10.05%
Capital assets, net	<u>39,656,819</u>	<u>40,415,053</u>	-1.88%
Total assets	60,475,365	59,330,841	1.92%
Current liabilities	1,333,505	1,140,925	16.87%
Long-term debt outstanding	<u>22,573,602</u>	<u>24,067,058</u>	-6.21%
Total liabilities	23,907,107	25,207,983	-5.17%
Net assets:			
Invested in capital assets, net of related debt	17,711,611	16,989,097	4.25%
Restricted	14,491,465	7,833,607	84.99%
Unrestricted	<u>4,365,182</u>	<u>9,300,154</u>	-53.07%
Total net assets	\$ <u>36,568,258</u>	<u>34,122,858</u>	7.16%

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

The principal retirement of \$1,493,456 of long-term debt.

Decreased spending on new capital assets caused current depreciation to exceed current year purchases, thus producing a decrease in capital assets of \$758,243.

Change in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$71,440,155. The total cost of all programs and services was \$68,994,755. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	Percentage <u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 1,383,101	1,194,995	15.74%
Operating grants and contributions	13,115,734	11,374,040	15.31%
General revenues			
Property taxes	21,672,381	20,679,023	4.80%
Grants and contributions not restricted	32,538,190	30,576,071	6.41%
Other	<u>2,730,749</u>	<u>2,403,808</u>	13.60%
Total revenues	71,440,155	66,227,937	7.87%
Expenses:			
Instruction	38,583,414	36,356,945	6.12%
Support services	25,248,271	24,953,914	1.17%
Non-instructional	3,995,345	3,937,408	1.47%
Sixteenth section	64,734	168,482	-61.58%
Facilities acquisition and construction	3,307	18,448	-82.08%
Interest on long-term liabilities	<u>1,099,684</u>	<u>1,170,581</u>	-6.10%
Total expenses	<u>68,994,755</u>	<u>66,605,778</u>	3.58%
Increase in net assets	\$ <u>2,445,400</u>	<u>(377,841)</u>	847.00%

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. 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	Net (Expense) Revenue
Instruction	\$38,583,414	-30,168,947
Support services	25,248,271	-22,468,081
Non-instructional	3,995,345	-754,116
Sixteenth section	64,734	-1,785
Facilities acquisition and construction	3,307	-3,307
Interest on long-term liabilities	1,099,684	-1,099,684
Total expenses	\$68,994,755	-54,495,920

Net cost of governmental activities \$54,495,920, was financed by general revenue, which is made up of primarily property taxes \$21,672,381 and state revenue \$32,175,316.

Investment earnings accounted for \$373,137 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 \$19,814,500, a increase of \$ 1,687,979 due primarily to decreased spending. \$17,987,084 or 91% 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 \$1,827,416 or 09% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$606,555 a result of decreased spending. The fund balance of Other Governmental Funds showed an increase of \$487,336.

Other major funds with respective fund balance changes are as follows:

16th Section Fund had a fund balance increase of
\$524,004 due to investment performance and timber cutting.

16th Section Principal Fund had a fund balance increase of
\$80,884 due to investment earnings.

BUDGETARY HIGHLIGHTS

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

Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi Legislature. This was done upon suggestion of the Mississippi Department of Education.

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 the report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$61,929,159, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$688,328 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$22,272,340 and total depreciation expense for the year was \$1,526,536, resulting in total net assets of \$39,656,819.

Additional information of the District's capital assets can be found in Note 4 on page 31 of this report.

Debt Administration. At June 30, 2006, the District had \$12,105,000 in limited obligation bonds and \$10,468,602 other long-term debt outstanding. A total of \$ 1,559,957 principal payments will be due within one year.

The District maintains a AA- bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 33 of this report.

CURRENT ISSUES

The Vicksburg Warren School District is financially stable. The District is proud of its community support of the public schools.

The District is not aware of any current issues, decisions, or conditions that would effect the financial condition or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The District, however, remains concerned about reductions in government allocations and local tax collections.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Vicksburg Warren School District, 1500 Mission 66, Vicksburg, MS 39180.

VICKSBURG WARREN SCHOOL DISTRICT

(This page left blank intentionally)

VICKSBURG WARREN SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2006

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 13,211,284
Investments	287,073
Due from other governments	3,100,303
Lease receivable, net	370,601
Other receivables, net	44,341
Inventories and prepaid items	101,027
Restricted assets	3,703,917
Capital assets, not being depreciated:	
Land	983,055
Capital assets net of accumulated depreciation:	
Buildings	34,976,811
Building improvements	717,807
Improvements other than buildings	366,990
Mobile equipment	2,188,590
Furniture and equipment	423,566
Total assets	<u>60,475,365</u>
LIABILITIES	
Accounts payable and accrued liabilities	609,802
Unearned revenue	394,244
Interest payable on long-term liabilities	329,459
Long-term liabilities (due within one year)	
Capital-related liabilities	1,559,957
Non-capital liabilities	
Long-term liabilities (due beyond one year)	
Capital-related liabilities	20,385,251
Non-capital liabilities	628,394
Total liabilities	<u>23,907,107</u>
NET ASSETS	
Invested in capital assets, net of related debt	17,711,611
Restricted net assets	
Expendable:	
School based activities	8,204,341
Debt service	941,453
Capital improvements	1,351,685
Forestry improvements	102,108
Unemployment benefits	187,961
Non-expendable:	
Sixteenth section	3,703,917
Unrestricted	4,365,182
Total net assets	<u>\$ 36,568,258</u>

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

Vicksburg Warren School District
Statement of Activities
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					Governmental Activities Total
Instruction	\$ 38,583,414	1,320,152	7,094,315		(30,168,947)
Support services	25,248,271		2,780,190		(22,468,081)
Noninstructional services	3,995,345		3,241,229		(754,116)
Sixteenth section	64,734	62,949			(1,785)
Facilities acquisition and construction	3,307				(3,307)
Interest on long-term liabilities	1,099,684				(1,099,684)
Total governmental activities	\$ 68,994,755	1,383,101	13,115,734	0	(54,495,920)

General Revenues:

Taxes:

Property taxes - general purposes levies

\$ 21,671,666

Property taxes- debt service levies

715

Unrestricted grants and contributions:

State

32,175,316

Federal

362,874

Unrestricted investment earnings

373,137

Sixteenth section sources

955,363

Other

1,402,249

Total general revenues

56,941,320

Change in Net Assets

2,445,400

July 1, 2005 Net Assets - as previously reported

34,122,858

Prior period adjustments

July 1, 2005 Net Assets - restated

34,122,858

Net Assets - Ending

\$ 36,568,258

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

Vicksburg Warren School District
Balance Sheet - Governmental Funds
June 30, 2006

Exhibit C

	Major Funds				OTHER Govern- mental Funds	Total Governmental Funds
	General Fund	Displaced Student Fund	16th Sec. District Fund	16th Sec. Principal Fund		
ASSETS						
Cash and cash equivalents	\$ 2,944,860		6,085,623	3,703,917	4,181,001	18,915,201
Investments					287,073	287,073
Due from other governments	1,060,127	501,765			1,538,411	3,100,303
Lease receivable, net			201,722		168,879	370,601
Other receivables, net	383					383
Due from other funds	1,244,615					1,244,615
Advances to other funds				105,556		105,556
Inventories and prepaid items	38,921				62,106	101,027
						0
Total assets	<u>5,288,706</u>	<u>501,765</u>	<u>6,287,345</u>	<u>3,809,473</u>	<u>6,237,470</u>	<u>22,124,759</u>
LIABILITIES & FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	331,812		78,500		198,490	609,802
Due to other funds	884	501,765			698,008	1,200,657
Advances from other funds	105,556					105,556
Deferred revenue	3,150		212,442		178,652	394,244
Total liabilities	<u>441,402</u>	<u>501,765</u>	<u>291,942</u>	<u>0</u>	<u>1,075,150</u>	<u>2,310,259</u>
Fund balances:						
Reserved for:						
Advances				105,556		105,556
Inventory					62,106	62,106
Unemployment Benefits					187,962	187,962
Forestry Improvements					120,106	120,106
Capital improvements					1,351,684	1,351,684
Undesignated / unreserved						
Reported in:						
General fund	4,847,304					4,847,304
Special revenue funds			5,995,403		2,498,006	8,494,409
Capital project funds						0
Debt service funds					941,454	941,454
Permanent funds				3,703,917		3,703,917
Total fund balances	<u>4,847,304</u>	<u>0</u>	<u>5,995,403</u>	<u>3,809,473</u>	<u>5,162,320</u>	<u>19,814,500</u>
Total liabilities & fund balances	<u>\$ 5,288,706</u>	<u>501,765</u>	<u>6,287,345</u>	<u>3,809,473</u>	<u>6,237,470</u>	<u>22,124,759</u>

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

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2006

	<u>Amount</u>
Total fund balances - governmental funds	\$ 19,814,500
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 22,272,340.	39,656,819
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Interest payable on long term liabilities	-329,459
Limited obligation bonds payable	-12,105,000
Certificates of participation payable	-9,060,000
Installment purchases loans payable	-780,208
Compensated absences payable	-628,394
Total net assets - governmental activities	<u>\$ 36,568,258</u>

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

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

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Displaced Student Fund	16th Sec. District Fund	16th Sec. Principal Fund	Other Governmental Funds	
REVENUES						
Local sources	\$ 23,293,096				1,087,538	24,380,633
Intermediate sources						0
State sources	30,936,644				2,609,832	33,546,776
Federal sources	473,874	967,285			10,665,009	12,107,148
Sixteenth section sources			647,991	165,370	204,951	1,018,312
Total revenues	<u>54,703,913</u>	<u>967,285</u>	<u>647,991</u>	<u>165,370</u>	<u>14,568,330</u>	<u>71,052,869</u>
EXPENDITURES						
Instruction	30,839,171	967,265			5,169,940	37,776,376
Support services	20,902,513				4,383,283	25,265,796
Noninstructional services	245,020				3,672,375	3,917,395
Sixteenth section					64,734	64,734
Facilities acquisition and construction	3,307				123,381	126,688
Debt Service:						
Principal	266,748				1,215,000	1,480,748
Interest	53,479				1,068,404	1,121,883
Total expenditures	<u>52,109,238</u>	<u>967,265</u>	<u>0</u>	<u>0</u>	<u>16,677,117</u>	<u>69,753,620</u>
Excess (deficiency) of revenues over expenditures	<u>2,594,675</u>	<u>0</u>	<u>647,991</u>	<u>165,370</u>	<u>(2,108,787)</u>	<u>1,299,249</u>
OTHER FINANCING SOURCES (USES)						
Insurance loss recoveries	363,072				36,458	399,530
Sale of transportation equipment						0
Sale of other property						0
Transfers in	3,547,382				3,100,788	6,648,170
Transfers out	(5,898,574)		(123,987)	(84,486)	(541,123)	(6,648,170)
Payment to refunded bond escrow agent						
Total other financing sources and uses	<u>(1,988,120)</u>	<u>0</u>	<u>(123,987)</u>	<u>(84,486)</u>	<u>2,596,123</u>	<u>399,530</u>
Net change in fund balances	<u>606,555</u>	<u>0</u>	<u>524,004</u>	<u>80,884</u>	<u>487,336</u>	<u>1,698,779</u>
Fund balances:						
July 1, 2005, as previously reported	4,240,749	0	5,471,399	3,728,589	4,685,784	18,126,521
Prior period adj. & reclassifications						0
July 1, 2005, as restated	<u>4,240,749</u>	<u>0</u>	<u>5,471,399</u>	<u>3,728,589</u>	<u>4,685,784</u>	<u>18,126,521</u>
Increase (decrease) in reserve for inventory					(10,800)	(10,800)
June 30, 2006	<u>\$ 4,847,304</u>	<u>0</u>	<u>5,995,403</u>	<u>3,809,473</u>	<u>5,162,320</u>	<u>19,814,500</u>

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

Vicksburg Warren 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

Exhibit D-1

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ 1,698,779
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds reported capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases amounted to \$ 769,746 and depreciation expense amounted to \$ 1,526,536 and net book value of capital assets sold during the year was \$ 1,444.	-758,234
2. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activity.	1,480,748
3. Governmental funds recognize expenditures when paid from expendable available financial resources, while in the statement of activities, expenditures are recognized when incurred. The changes in the following accounts have a direct effect in the difference in the change between governmental fund balance and the change reflected in the statement of net assets.	
Compensated absences	12,708
Accrued interest on bonds	22,199
Inventory adjustment	-10,800
	<hr/>
Change in net assets of governmental activities	\$ <u><u>2,445,400</u></u>

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

Vicksburg Warren School District
Statement of Net Assets - Fiduciary Funds
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,094,447
Due from other governments	
	<hr/>
Total Assets	<u>3,094,447</u>
Liabilities	
Accounts payable and accrued liabilities	2,858,010
Due to other funds	43,958
Due to student clubs	192,479
	<hr/>
Total Liabilities	<u>3,094,447</u>
Net Assets	
Total Net Assets	<u>\$ 0</u>

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

(This page left blank intentionally)

Vicksburg Warren 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 districts' governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which was elected by citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statement 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 reporting government 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.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Fund Financial Statements:

Fund financial statements of the reporting entity 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 is 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 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 of being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be accrual and so 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 is 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.

Displaced Student Fund - This is a special revenue fund used the account for proceeds received under a federal program designed to reimburse both public and private schools for expenditures relating to providing services to those displaced by hurricanes in 2005.

16th Section District Fund - This is an expendable trust fund which is accounted for in a manner which is essentially the same manner as governmental funds.

16th Section Principal Fund - This is a non expendable trust fund, used to account for the funds which cannot be expended.

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

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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 Project Funds - Capital Project 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 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.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful life</u>
Land	\$ 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.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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 3 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:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulation 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.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" of "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 further split between 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:

Reserve 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.

Reserve 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.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Reserve for unemployment benefits - An account that represents that portion of fund balance which is legally restricted and not available for spending for any purpose other than the settlement of unemployment benefits.

Reserve for forestry improvements - An account that represents that portion of fund balance which is legally restricted and not available for spending for any purpose other than forestry improvements.

Reserve for capital improvements - An account that represents that portion of fund balance which is legally restricted and not available for spending for any purpose other than capital improvements.

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 policy. The district pays for unused leave for employees as required by Section 37-7-307 (S), 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 Vicksburg Warren School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes, or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(3) Cash and Cash Equivalents and Investments.

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

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 16,915,201 and \$ 3,094,447, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$ 13,211,284 and restricted assets - \$ 3,703,917. The restricted assets represent the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$ 22,399,542.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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 deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$ 22,399,542 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Bank - business money market	N/A	\$287,073	Not Rated
Total Investments		<u>\$287,073</u>	

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

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

Custodial Credit Risk - Investments . Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2006, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Vicksburg Warren 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	\$ 1,244,615	884
Displaced Student		501,765
Non major funds:		686,008
Fudiciary funds:		43,958
Total funds	\$ 1,244,615	1,244,615

All interfund loans were made from the General Fund to offset deficit cash balances.

Major funds:		
16th Section Principal fund	\$ 105,556	
General fund		105,556
Total funds	\$ 105,556	105,556

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 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 30-Jun	Principal	Interest	Total
2007	\$ 24,857	4,222	29,079
2008	25,851	3,228	29,079
2009	26,885	2,194	29,079
2010	27,963	1,119	29,082
Total	\$ 105,556	10,763	116,319

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

C.	Transfers In/Out.		
		<u>Transfer-In</u>	<u>Transfer-Out</u>
	Major funds:		
	General fund	\$ 3,547,382	5,898,574
	16th Section District fund		123,987
	16th Section Principal fund		84,486
	Non-major funds:	<u>3,100,788</u>	<u>541,123</u>
	Total funds	<u>\$ 6,648,170</u>	<u>6,648,170</u>

Transfers in and out were made for funding salaries, indirect cost, and expendable Sixteenth Section Principal Funds.

(5) Capital Assets.

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

	<u>Balance</u> <u>7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2006</u>
<u>Non-depreciable capital</u>						
Land	\$ 983,055					983,055
Construction in progress	2,568,787	123,381		2,692,168		0
Total non-depreciable	<u>3,551,842</u>	<u>123,381</u>	<u>0</u>	<u>2,692,168</u>	<u>0</u>	<u>983,055</u>
<u>Depreciable Capital Assets</u>						
Buildings	49,008,500			2,692,168		51,700,668
Building improvements	808,297					808,297
Improvements other than buildings	833,798					833,798
Mobile equipment	5,242,908	475,098	7,000			5,711,006
Furniture and equipment	1,795,486	171,267	74,418			1,892,335
Total depreciable capital	<u>57,688,989</u>	<u>646,365</u>	<u>81,418</u>	<u>2,692,168</u>		<u>60,946,104</u>
<u>Less accumulated</u>						
Buildings	15,792,211	931,646				16,723,857
Building improvements	81,188	9,302				90,490
Improve other than bldg	442,116	24,692				466,808
Mobile equipment	3,192,551	336,165	6,300			3,522,416
Furniture & equipment	<u>1,317,712</u>	<u>224,731</u>	<u>73,674</u>			<u>1,468,769</u>

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Total accumulated depreciation	<u>20,825,778</u>	<u>1,526,536</u>	<u>79,974</u>	<u>22,272,340</u>
Total depreciable capital assets, net	<u>36,863,211</u>	<u>-880,171</u>	<u>1,444</u>	<u>2,692,168</u>
Governmental activities capital assets, net	<u>\$ 40,415,053</u>	<u>-756,790</u>	<u>1,444</u>	<u>39,656,819</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 851,044
Support services	564,970
Noninstructional services	<u>110,522</u>
Total depreciation expense	<u>\$ 1,526,536</u>

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(6) Long - term liabilities.

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

	Balance 07-01-2005	Additions	Reductions	Adjustments	Balance 06-30-2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 12,835,000		730,000		12,105,000	770,000
B. Certificates of participation payable	9,545,000		485,000		9,060,000	510,000
C. Installment purchases loans payable	1,045,956		265,748		780,208	279,957
D. Compensated absences payable	641,102		12,708		628,394	0
Total	\$ 24,067,058		1,493,456		22,573,602	1,559,957

A. Limited obligation bonds payable.

Limited obligation bonds payable 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 bonds, Series 1998	Variable	02-01-1998	02-01-2018	14,910,000	12,105,000
Total				\$ 14,910,000	12,105,000

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

Year Ending June 30	Principal	Interest	Total
2007	770,000	571,485	1,341,485
2008	815,000	527,595	1,342,595
2009	850,000	490,920	1,340,920
2010	890,000	452,670	1,342,670
2011	930,000	411,730	1,341,730

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-2016	5,345,000	1,365,115	6,710,115	
2017-2018	2,505,000	177,895	2,682,895	
Total	12,105,000	3,997,410	16,102,410	

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 by the debt service fund.

B. Certificates of participation payable.

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation series 1998	5.40%	12-01-1998	12-01-2018	2,500,000	1,900,000
Certificates of participation series 1999	4.6%-4.75%	04-01-1999	04-01-2019	9,500,000	7,160,000
				\$ 12,000,000	9,060,000

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

Year Ending	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	510,000	432,065	942,065	
2008	535,000	407,629	942,629	
2009	560,000	382,004	942,004	
2010	595,000	355,054	950,054	
2011	620,000	326,548	946,548	
2012-2016	3,610,000	1,155,160	4,765,160	
2017-2019	2,630,000	245,915	2,875,915	
Total	\$ 9,060,000	3,304,375	12,364,375	

This debt will be retired by the debt service fund.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

C. Installment purchases loan payable.

The school district has entered into an installment purchase agreement. Property under this installment purchase agreement is composed of energy conservation equipment and an energy management system.

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	279,957	34,091	314,048
2008	294,925	19,123	314,048
2009	205,326	4,039	209,365
Total	\$ 780,208	57,253	837,461

This debt will be retired by the general fund.

D. Compensated absences payable.

As more fully explained in Note 1(P), 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 Employee's 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 \$ 4,363,055, \$ 3,786,988 and \$ 3,496,370, respectively, which equaled the required contributions for each year.

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(8) Other Commitments.

Commitments under construction contracts are described in Note 4.

Operating Leases:

The school district has several operating leases for the following:

1. Forty two Cannon copiers.
2. Eight Cannon imagerunners.

Lease expenditures for the year ended June 30, 2006, amounted to \$ 116,597. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2007	\$ 115,288
2008	110,202
2009	110,202
2010	110,202
2011	10,647
Total	\$ 456,541

(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 payments to be made to the school district for the use of school trust lands. These future payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2007	\$ 105,953
2008	69,567
2009	53,904
2010	41,323
2011	16,442
2012-2016	33,016
2017-2022	52,224
Total	\$ 372,429

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(10) Litigation.

On June 3, 2004, a Complaint was filed in Warren County Chancery Court by Davis Island Land Co, LLC, against the the State of Mississippi to quiet title to property they claim to own adjacent to Section 16, Township 14 North, Range 1 East, Warren County, Mississippi. It is the same property as in the prior litigation filed by Davis Island Land Co., LLC in Federal Court which the school district won and was appealed to the Fifth Circuit and which the school district won there also on the statute of limitations issue. The case is currently being reviewed by the Mississippi Supreme Court.

The district has several instances of claims that have been filed relating to various school bus accidents. It is anticipated that these matters will be handled by the District's insurance carrier.

(11) Risk Management.

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

(12) Subsequent Events.

Subsequent to June 30, 2006, Vicksburg Warren School District issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-31-06	3.5-3.9%	\$ 9,215,000	Refunding 1998 Series Bonds	Bonds

Vicksburg Warren School District
Notes to Financial Statements
For the Year Ended June 30, 2006

(13) Trust Certificates.

A trust agreement dated December 1, 1998, was executed by and between the school district and Hancock Bank of Jackson, Mississippi, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,500,000. Approximately \$ 2,304,093 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$ 105,907 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

VICKSBURG WARREN SCHOOL DISTRICT

(This page left blank intentionally)

VICKSBURG WARREN SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

Vicksburg Warren School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2006

	Schedule 1				
			Actual GAAP Basis	Variances	
	Budget Original	Amounts Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 22,061,763	23,404,104	23,293,095	1,342,341	-111,009
State sources	30,465,315	30,936,943	30,936,944	471,628	1
Federal sources	410,000	362,874	473,874	-47,126	111,000
Total revenues	<u>52,937,078</u>	<u>54,703,921</u>	<u>54,703,913</u>	<u>1,766,843</u>	<u>-8</u>
EXPENDITURES					
Instruction	31,344,126	30,639,180	30,639,171	704,946	9
Support services	20,672,348	20,902,542	20,902,513	-230,194	29
Noninstructional services	261,377	245,021	245,020	16,356	1
Facilities acquisition and construction		3,307	3,307	-3,307	0
Principal	265,748	265,748	265,748	0	0
Interest	48,301	53,479	53,479	-5,178	0
Total expenditures	<u>52,591,900</u>	<u>52,109,277</u>	<u>52,109,238</u>	<u>482,623</u>	<u>39</u>
Excess (deficiency) of revenues over expenditures	345,178	2,594,644	2,594,675	2,249,466	31
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries		363,072	363,072	363,072	0
Sale of transportation equipment				0	0
Sale of other property				0	0
Transfers in	3,130,466	3,547,384	3,547,382	416,918	-2
Transfers out	-5,618,696	-5,898,575	-5,898,574		1
Total other financing sources and uses	<u>-2,488,230</u>	<u>-1,988,119</u>	<u>-1,988,120</u>	<u>500,110</u>	<u>-1</u>
Net change in fund balances	<u>-2,143,052</u>	<u>606,525</u>	<u>606,555</u>	<u>2,749,576</u>	<u>30</u>
Fund balances:					
July 1, 2005, as previously reported	4,726,832	4,246,847	4,240,749	-479,985	-6,098
Prior period adj. & reclassifications		-6,098		-6,098	6,098
July 1, 2005, as restated	<u>4,726,832</u>	<u>4,240,749</u>	<u>4,240,749</u>	<u>-486,083</u>	<u>0</u>
June 30, 2006	\$ <u>2,583,780</u>	<u>4,847,274</u>	<u>4,847,304</u>	<u>2,263,494</u>	<u>30</u>

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

Vicksburg Warren School District
 Budgetary Comparison Schedule for the Displaced Student Fund
 For the Year Ended June 30, 2006

	Budget		Actual GAAP Basis	Variances	
	Original	Amounts Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 0	967,265	967,265	967,265	0
Total revenues	<u>0</u>	<u>967,265</u>	<u>967,265</u>	<u>967,265</u>	<u>0</u>
EXPENDITURES					
Instruction		967,265	967,265	-967,265	0
Total expenditures	<u>0</u>	<u>967,265</u>	<u>967,265</u>	<u>-967,265</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	0	0	0	0
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out					
Payment to refunded bond escrow agent					
Total other financing sources and uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances:					
July 1, 2005, as previously reported	0	0	0	0	0
July 1, 2005, as restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2006	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Vicksburg Warren School District
 Budgetary Comparison Schedule for the 16th Section District Fund
 For the Year Ended June 30, 2006

	Budget		Actual GAAP Basis	Variances Positive (Negative)	
	Original	Amounts Final		Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	\$ 620,808	647,991	647,991	27,183	0
Total revenues	<u>620,808</u>	<u>647,991</u>	<u>647,991</u>	<u>27,183</u>	<u>0</u>
EXPENDITURES					
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	620,808	647,991	647,991	27,183	0
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>-40,000</u>	<u>-123,987</u>	<u>-123,987</u>	<u>-83,987</u>	<u>0</u>
Total other financing sources and uses	<u>-40,000</u>	<u>-123,987</u>	<u>-123,987</u>	<u>-83,987</u>	<u>0</u>
Net change in fund balances	<u>580,808</u>	<u>524,004</u>	<u>524,004</u>	<u>-56,804</u>	<u>0</u>
Fund balances:					
July 1, 2005, as previously reported	5,834,633	5,471,399	5,471,399	-363,234	0
Prior period adjustments					
July 1, 2005, as restated	<u>5,834,633</u>	<u>5,471,399</u>	<u>5,471,399</u>	<u>-363,234</u>	<u>0</u>
June 30, 2006	<u>\$ 6,415,441</u>	<u>5,995,403</u>	<u>5,995,403</u>	<u>-420,038</u>	<u>0</u>

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

Vicksburg Warren School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles, generally accepted in the United States of America.

VICKSBURG WARREN SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION /

Vicksburg Warren School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

Schedule 1

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Non-cash assistance:		
Food donation	10.550	\$ 202,192
Child nutrition cluster:		
School breakfast program	10.553	693,926
National school lunch program	10.555	<u>2,145,757</u>
Total child nutrition cluster		<u>2,839,683</u>
Fresh fruit and vegetable program	10.582	33,316
		<u>3,075,191</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund		
	32.XXX	<u>72,495</u>
Total Federal Communications Commission		72,495
 <u>U.S. Department of Education</u>		
Direct Programs:		
Impact aid - facilities maintenance	84.040	<u>8,363</u>
Total		8,363
Passed-through Mississippi Department of Education:		
Title 1 - grants to local educational agencies	84.010	3,791,430
Vocational education - basic grants to states	84.048	81,286
Project SERV	84.184S	33,221
Safe and drug-free schools and communities - state grants	84.186	60,896
Twenty-first century community learning centers	84.287	218,950
Innovative education program strategies	84.298	27,003
Technology literacy challenge fund grants	81.318	44,702
Rural education	84.358	35,284
Improving teacher quality - state grants	84.367	1,046,983
Grants for state assessments and related activities	84.369	710
Hurricane Education Recovery	84.938	<u>1,213,262</u>
		<u>6,553,727</u>

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
Special education cluster:		
Special Education - grants to states	84.027	1,857,783
Special Education - preschool grants	84.173	63,431
Total		<u>1,921,214</u>
Total passed-through Mississippi Department of Education		<u>8,474,941</u>
Total U.S. Department of Education		<u>8,483,304</u>
U.S. Department of Health and Human Services Passed-through Mississippi Department of Health and Human Services		
Medical assistance program	93.778	<u>282,017</u>
Total U.S. Department of Health and Human Services		<u>282,017</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency		
Disaster grant- public assistance grant (presidentially declared disasters)	97.036	<u>83,141</u>
Total U.S. Department of Homeland Security		<u>83,141</u>
<u>Other Federal Assistance</u>		
Direct Program:		
Reserve Officer's Training Corps	12.XXX	111,000
Total Other Federal Assistance		<u>111,000</u>
Total for All Federal Awards		<u>\$ 12,107,148</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.

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

Schedule 2

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 54,110,247	41,236,442	1,838,408	3,138,266	7,897,131
Other	15,643,373	4,041,908	690,571	58,929	10,851,965
Total	\$ <u>69,753,620</u>	<u>45,278,350</u>	<u>2,528,979</u>	<u>3,197,195</u>	<u>18,749,096</u>
Total number of students	8,954	8,954	8,954	8,954	8,954
Cost per student	\$ <u>7,790</u>	<u>5,057</u>	<u>282</u>	<u>357</u>	<u>2,094</u>

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

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

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300's and Support Services - Business (2500's).

School Administration - includes expenditures for the following functions: Support Services - School Administration (2400's).

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

VICKSBURG WARREN SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

BRIDGERS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)
3528 Manor Drive
Vicksburg, MS 39180-5693

TELEPHONE (601) 636-1416
FAX (601) 636-1417

DAVID I. BRIDGERS, JR., CPA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
AICPA PRIVATE COMPANIES
PRACTICE SECTION

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

June 25, 2007

Superintendent and School Board
Vicksburg Warren School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June, 30, 2006, and have issued our report thereon dated June 25, 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

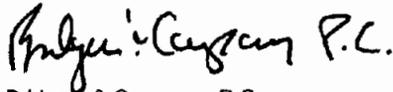
In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we considered to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the school district's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, we would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not a material weakness.

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 instance 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 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.



Bridgers & Company, P.C.
Vicksburg, Mississippi
June 25, 2007

BRIDGERS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)
3528 Manor Drive
Vicksburg, MS 39180-5693

TELEPHONE (601) 636-1416
FAX (601) 636-1417

DAVID L. BRIDGERS, JR., CPA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
AICPA PRIVATE COMPANIES
PRACTICE SECTION

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

June 25, 2007

Superintendent and School Board
Vicksburg Warren School District

Compliance

We have audited the compliance of the Vicksburg Warren 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 accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major 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, Vicksburg Warren 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 Vicksburg Warren 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.

Bridgers & Company P.C.

Bridgers & Company, P.C.
Vicksburg, Mississippi
June 25, 2007

VICKSBURG WARREN SCHOOL DISTRICT

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

BRIDGERS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANT
(A Professional Corporation)
3528 Manor Drive
Vicksburg, MS 39180-5693

TELEPHONE (601) 636-1416
FAX (601) 636-1417

DAVID L. BRIDGERS, JR., CPA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S
AICPA PRIVATE COMPANIES
PRACTICE SECTION

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

June 25, 2007

Superintendent and School Board
Vicksburg Warren School District

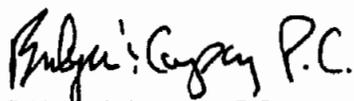
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Vicksburg Warren School District as of and for the year ended June 30, 2006, which collectively comprise the Vicksburg Warren School District's basic financial statements and have issued our report thereon dated June 25, 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 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 \$ 80,420, 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 specified parties. However, this report is a matter of public record and its distribution is not limited.


Bridgers & Company, P.C.
Vicksburg, Mississippi
June 25, 2007

VICKSBURG WARREN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Vicksburg Warren School District

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

Section 1: Summary of Auditor's Results

Financial Statements

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

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major 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 of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child nutrition cluster: | |
| CFDA #10.553 | |
| CFDA #10.555 | |
| b. Title I - grants to local educational agencies | |
| CFDA # 84.010 | |
| c. Special education cluster: | |
| CFDA #84.027 | |
| CFDA #84.173 | |
| d. Improving teacher quality - state grants | |
| CFDA #84.367 | |
| e. Hurricane Education Recovery | |
| CFDA #84.938 | |
| 8. The dollar threshold to distinguish between type A and type B programs: | \$363,214 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year findings 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? | yes |

Vicksburg Warren School District

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

Section 2: Financial Statement Findings

Reportable Condition Not Considered to be a Material Weakness

06-1 Finding

The District's internal control procedures for processing receipts of activity funds received by various schools, require each school to prepare a receipt form to be transmitted to central office and central office is to process the receipt by preparing a District receipt form, only if the adequate school documentation is present. In sampling activity fund receipts, we noted that Beechwood Elementary had not prepared the proper receipt forms on two deposits that we tested and the central office had processed these receipts without the required documentation.

Recommendation

We recommend that the District take steps to insure that school personnel charged with the responsibility of receiving activity funds be trained in preparing the required documentation to be transmitted to central office and that central office personnel be monitored to insure compliance with the District's control procedures.

Section 3: Findings Related to Federal Awards

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

VICKSBURG WARREN SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

Vicksburg Warren School District

1500 Mission 66 • P. O. Box 820065

Vicksburg, Mississippi 39182

601/638-5122

FAX: 601/631-2819

John E. Walls, Ph. D.
Deputy Superintendent

James G. Price, Ph. D.
Superintendent

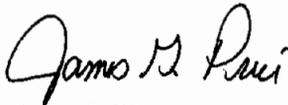
Debra Hulum
Assistant Superintendent

Financial & Compliance Audit Division

As required by Section ____ .315C of Circular A-133, the Vicksburg Warren 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	Corrective Action Plan Details
06-1	<p>a. Dorothy McInnis, Director of Accounting (601) 631-2811</p> <p>b. The district accounting office will provide additional training to individuals relating to the preparation of the required receipt forms at both the schools and the central office.</p> <p>c. This procedure will implemented immediately.</p>

Sincerely yours,



James G. Price
Superintendent

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

VICKSBURG WARREN SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

FINDING 05-1: Special Education- grants to states, Passed-through the Mississippi Department of Education.

Condition: This finding was a reportable condition not considered a material weakness, stating that controls were not in place to prevent excess cash balances.

Recommendation: That the district insure that the supervisors in charge of federal programs work more closely with the accounting department to insure that funds are being spent and reimbursement request are being filed in a timely manner.

Current Status: Condition was corrected. There were instances of excess cash balances during the current year.