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**WALTHALL COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2006**

**Charles L. Shivers, CPA  
Ridgeland, MS**

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**FINANCIAL AUDIT REPORT**

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# Charles L. Shivers, CPA

P O Box 2775  
Ridgeland, MS 39158  
Phone: 601-941-6649

Member  
AICPA  
MSCPA

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Walthall County School District

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

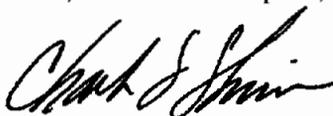
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 Walthall County School District as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 24, 2007, on my consideration of the Walthall County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and related notes are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walthall County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis as required by the Mississippi State Auditor's Office. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ridgeland, MS  
July 24, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# Walthall County Schools

814-A MORSE AVENUE  
TYLERTOWN, MISSISSIPPI 39667

GREG. H. ELLZEY  
SUPERINTENDENT OF EDUCATION

PHONE: (601) 876-3401  
FAX: (601) 876-6982

## WALTHALL COUNTY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

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

### FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$4,502,715, which represents a 52% increase from fiscal year 2005. This increase in net assets is primarily due to the following: 1) federal revenue of approximately \$2,060,000 under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina, 2) sixteenth section revenue in the amount of \$630,984 generated during the fiscal year primarily from the sale of timber and sixteenth section leases, 3) capital outlays of \$1,364,624 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 4) repayment of debt principal in the amount of \$465,000 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets.
- General revenues account for \$16,124,657 in revenue, or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,889,176, or 30% of total revenues.
- The District had \$19,260,474 in expenses; only \$6,889,176 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,124,657 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,779,730 in revenues and \$12,336,684 in expenditures. After net other financing sources of \$823,967, the net change in fund balance for the General Fund was an increase of \$3,267,013 from the previous fiscal year. This increase is due primarily to insurance loss recoveries in the amount of \$744,032 and federal revenue of approximately \$2,060,000 under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred in the General Fund were reported in the Displaced Student Grant Funds and the Restart School Grant Fund and federal sources were received to cover those expenditures.
- Capital assets, net of accumulated depreciation, increased by \$878,394 due primarily to building improvements completed during the fiscal year.
- Long-term debt decreased by \$454,910 due primarily to principal payments made during the fiscal year on existing long-term debt.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

**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.

**Notes to the financial statements.** The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,182,735 as of June 30, 2006.

The District's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$4,212,433 of the District's net assets (32%) reflects its investment in capital assets (e.g., land, buildings, building improvements, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$2,975,557 of the District's net assets (22%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for sixteenth section investment purposes. \$5,994,745 of the District's net assets (46%) reflects its unrestricted net assets.

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

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

	Net Asset		Percentage Change
	June 30, 2006	June 30, 2005	
Current assets	\$ 8,607,678	\$ 5,883,110	46.31 %
Other assets	618,897	1,094,682	(43.46) %
Capital assets, net	<u>8,542,433</u>	<u>7,664,039</u>	11.46 %
<b>Total assets</b>	<u>17,769,008</u>	<u>14,641,831</u>	21.36 %
Current liabilities	113,546	1,034,174	(89.02) %
Long-term debt outstanding	<u>4,472,727</u>	<u>4,927,637</u>	(9.23) %
<b>Total liabilities</b>	<u>4,586,273</u>	<u>5,961,811</u>	(23.07) %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,212,433	2,869,039	46.82 %
Restricted	2,975,557	2,256,247	31.90 %
Unrestricted	<u>5,994,745</u>	<u>3,554,734</u>	68.60 %
<b>Total net assets</b>	<u>\$ 13,182,735</u>	<u>\$ 8,680,020</u>	51.87 %

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments. At fiscal year end, the District reported amounts due from federal sources of approximately \$2,060,000 related to the Displaced Student Grant and Restart School Grant resulting from Hurricane Katrina.
- Capital assets increased from the previous fiscal year due primarily to the completion of building improvements during the fiscal year.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities. In prior year, amounts due to fiduciary funds related to accrued payroll at fiscal year end were reported as accounts payable and accrued liabilities on the Statement of Net Assets. In the current fiscal year, amounts related to accrued payroll were reported in the fiduciary funds and not reported on the Statement of Net Assets.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the purchase of various capital assets during the fiscal year and the completion of building improvements. The increase is also due to the reduction of long-term debt related to the capital assets.

- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in the fund balance of the General Fund resulting from approximately \$2,060,000 in federal funds under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred in the General Fund were covered by the federal sources. The increase in unrestricted net assets is also due to the increase in the fund balance of Sixteenth Section Interest Funds.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$23,013,833. The total cost of all programs and services was \$19,260,474. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 175,334	\$ 537,884	(67.40) %
Operating grants and contributions	6,713,842	4,255,829	57.75 %
General revenues:			
Property taxes	3,269,230	2,996,469	9.10 %
Grants and contributions not restricted	11,691,341	11,273,200	3.70 %
Other	1,164,086	714,715	62.87 %
<b>Total revenues</b>	<u>23,013,833</u>	<u>19,778,097</u>	16.30 %
<b>Expenses:</b>			
Instruction	12,210,817	11,779,535	3.66 %
Support services	5,544,092	4,985,687	11.20 %
Non-instructional	1,264,305	1,194,802	5.81 %
Sixteenth section	22,187	47,808	(53.59) %
Interest and other expenses on long-term liabilities	<u>219,073</u>	<u>242,845</u>	(9.79) %
<b>Total expenses</b>	<u>19,260,474</u>	<u>18,250,677</u>	5.56 %
<b>Special item</b>	744,032		
<b>Increase (Decrease) in net assets</b>	4,497,391	1,527,420	194.44 %
<b>Net Assets, July 1</b>	8,680,020	7,139,393	21.58 %
<b>Prior Period Adjustments</b>	<u>5,324</u>	<u>13,207</u>	(59.69) %
<b>Net Assets, Restated, July 1</b>	<u>8,685,344</u>	<u>7,152,600</u>	21.43 %
<b>Net Assets, June 30</b>	<u>\$13,182,735</u>	<u>\$ 8,680,020</u>	51.87 %

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions. As a result of Hurricane Katrina, the District was entitled to approximately \$820,000 in Displaced Student Grant funds and approximately \$1,240,000 in Restart School Grant funds.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions and other general revenues. The district received insurance loss recoveries (special items) in the amount of \$744,032 resulting from Hurricane Katrina.
- Support services expenses increased from the previous fiscal year due primarily to the purchase of new school buses.

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

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 12,210,817	\$ (7,681,778)	\$ 11,779,535	\$ (9,070,966)
Support services	5,544,092	(4,429,720)	4,985,687	(4,261,335)
Non-instructional	1,264,305	(18,540)	1,194,802	107,150
Sixteenth section	22,187	(22,187)	47,808	11,032
Interest and other expenses on long-term liabilities	219,073	(219,073)	242,845	(242,845)
<b>Total expenses</b>	<b>\$ 19,260,474</b>	<b>\$ (12,371,298)</b>	<b>\$ 18,250,677</b>	<b>\$ (13,456,964)</b>

- The net cost of governmental activities for fiscal year 2006 in the amount of \$12,371,298 was financed by general revenue, which is made up of primarily property taxes of \$3,269,230 and state revenue of \$11,538,221.
- Investment earnings accounted for \$186,414 of funding.
- Sixteenth section sources in the amount of \$630,984 were generated during the fiscal year primarily from the sale of timber and sixteenth section leases.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2006, its governmental funds reported a combined fund balance of \$9,180,981. The net change in fund balance for the fiscal year was an increase of \$3,160,111 due primarily to federal revenue entitled to the District under the Displaced Student Grant and Restart School Grant which resulted from Hurricane Katrina and sixteenth section sources generated during the fiscal year. \$8,464,524 92%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds is a result of transfers from other governmental funds and will be used for the future renovation and construction of school facilities. The unreserved, undesignated portion of the fund balance reported in the Permanent Funds is interest earned on sixteenth section investments that was not transferred to the Sixteenth Section Interest Funds. The remaining fund balance of \$716,457, or 8%, is reserved to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$3,267,013 due primarily to federal revenue entitled to the District under the Displaced Student Grant and Restart School Grant and insurance loss recoveries which resulted from Hurricane Katrina. The increase is also due to a transfer of funds from the Sixteenth Section Interest Funds. The net change in fund balance for the Sixteenth Section Interest Nonshared Fund for the fiscal year was a decrease of \$150,282 due primarily to the transfer of funds to the General Fund. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$43,380.

## BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local sources in the General Fund were increased to reflect the increase in ad valorem receipts during the fiscal year as compared to amounts originally budgeted.

- Budgeted amounts for revenue from state sources in the General Fund were increased to reflect the increase in Mississippi Adequate Education Program funds received during the fiscal year as compared to amounts originally budgeted.
- Budgeted amounts for revenue from federal sources in the General Fund were increased to reflect E-Rate and Disaster Relief funds not originally budgeted.
- Budgeted amounts for instructional expenditures in the General Fund were decreased during the fiscal year. The District was entitled to approximately \$820,000 of federal funds under the Displaced Student Grant and approximately \$1,240,000 of federal funds under the Restart School Grant. The District was allowed to reclassify a portion of instruction expenditures from the General Fund to the Displaced Student Grant Fund and Restart School Grant Fund in order to reimburse the District for salary related expenditures incurred. Therefore, amounts originally budgeted for instruction in the General Fund were decreased to reflect the reclassification of these expenditures.
- Budgeted amounts for support services expenditures in the General Fund were increased during the fiscal year to reflect the purchase of new school buses.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were increased to reflect building improvements completed during the fiscal year.
- Budgeted amounts for insurance loss recoveries in the General Fund were increased to reflect insurance proceeds received during the fiscal year resulting from Hurricane Katrina.
- Transfers in and transfers out of the General Fund were increased during the fiscal year. The transfers to and from other funds were not included in the original budget.
- Budgeted amounts for revenue from federal sources and instruction expenditures in the Displaced Student Grant Fund were increased during the fiscal year. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.
- Budgeted amounts for revenue from federal sources and instruction and support services expenditures in the Restart School Grant Fund were increased during the fiscal year. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.
- Budgeted amounts for revenue from sixteenth section sources in the Sixteenth Section Interest Nonshared Fund were increased to reflect the revenue generated during the fiscal year from the sale of timber and sixteenth section leases.
- Transfers out of the Sixteenth Section Interest Nonshared Fund were increased during the fiscal year. The transfer to the General Fund was not included in the original budget.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets, before depreciation, were \$13,103,648, including land, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross increase of \$1,200,119 from the previous year due primarily to building improvements completed during the fiscal year. The District also purchased new school buses and various items of furniture and equipment. Total depreciation expense for the year was \$446,169. Total accumulated depreciation as of June 30, 2006 was \$4,561,215, resulting in total net capital assets of \$8,542,433.

	Capital Assets, Net of Depreciation		Percentage Change
	2006	2005	
Land	\$ 119,585	\$ 119,585	0.0 %
Construction in progress	0	80,578	(100.0) %
Buildings	6,441,820	6,586,931	(2.2) %
Building improvements	1,045,649	0	
Mobile equipment	725,882	705,778	2.8 %

Furniture and equipment	<u>209,497</u>	<u>171,167</u>	22.4 %
<b>Total</b>	<b><u>\$ 8,542,433</u></b>	<b><u>\$ 7,664,039</u></b>	<b>11.5 %</b>

**Debt Administration.** At June 30, 2006, the District had \$4,472,727 in limited obligation bonds and other long-term debt outstanding, of which \$492,136 is due within one year. During the fiscal year, the District made principal payments of \$465,000 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Limited obligation bonds payable	\$ 3,825,000	\$ 4,055,000	(5.7) %
Three mill notes payable	505,000	740,000	(31.8) %
Compensated absences payable	<u>142,727</u>	<u>132,637</u>	7.6 %
<b>Total</b>	<b><u>\$ 4,472,727</u></b>	<b><u>\$ 4,927,637</u></b>	<b>(9.2) %</b>

## **CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The millage has not increased or decreased significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Walthall County School District, 814-A Morse Avenue, Tylertown, MS 39667.

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## BASIC FINANCIAL STATEMENTS

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

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 5,100,756
Investments (Note 2)	\$ 365,810
Due from other governments	\$ 3,023,175
Other receivables, net	\$ 78,715
Inventories	\$ 39,222
Restricted assets (Note 2)	\$ 618,897
Capital assets, net (Note 4)	\$ 8,542,433
<b>Total Assets</b>	<b>\$ 17,769,008</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 28,790
Deferred revenue	\$ 16,804
Interest payable on long-term liabilities	\$ 67,952
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	\$ 485,000
Non-capital related liabilities	\$ 7,136
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	\$ 3,845,000
Non-capital related liabilities	\$ 135,591
<b>Total Liabilities</b>	<b>\$ 4,586,273</b>
<b>Net assets</b>	
Investment in capital assets (net of related debt)	\$ 4,212,433
Restricted net assets	
Expendable	
School-based activities	\$ 1,950,453
Debt service	\$ 204,567
Forestry improvements	\$ 150,640
Unemployment benefits	\$ 51,000
Non-expendable	
Sixteenth section	\$ 618,897
Unrestricted	<u>\$ 5,994,745</u>
<b>Total Net Assets</b>	<b>\$ 13,182,735</b>

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

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

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Instruction	\$ 12,210,817		\$ 4,529,039	\$ (7,681,778)
Support services	\$ 5,544,092		\$ 1,114,372	\$ (4,429,720)
Non-instructional Sixteenth section	\$ 1,264,305	\$ 175,334	\$ 1,070,431	\$ (18,540)
Interest and other expenses on long-term liabilities	\$ 22,187			\$ (22,187)
	\$ 219,073			\$ (219,073)
<b>Total Governmental Activities</b>	<b>\$ 19,260,474</b>	<b>\$ 175,334</b>	<b>\$ 6,713,842</b>	<b>\$(12,371,298)</b>
<b>General Revenues</b>				
<b>Taxes</b>				
General purpose levies				\$ 2,959,511
Debt purpose levies				\$ 309,719
<b>Unrestricted grants and contributions</b>				
State				\$ 11,538,221
Federal				\$ 153,120
Unrestricted investment earnings				\$ 186,414
Sixteenth section sources				\$ 630,984
Other				\$ 346,688
<b>Total General Revenues</b>				<b>\$ 16,124,657</b>
<b>Special items</b>				<b>\$ 744,032</b>
<b>Total General Revenues and Special Items</b>				<b>\$ 16,868,689</b>
<b>Changes in Net Assets</b>				<b>\$ 4,497,391</b>
<b>Net Assets - Beginning</b>				<b>\$ 8,680,020</b>
<b>Prior Period Adjustments (Note 8)</b>				<b>\$ 5,324</b>
<b>Net Assets - Beginning - Restated</b>				<b>\$ 8,685,344</b>
<b>Net Assets - Ending</b>				<b>\$ 13,182,735</b>

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

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

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Displaced Students Fund	Restart Fund	16th Interest Nonshare Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 1,902,909			\$ 1,389,916	\$ 1,881,918	\$ 5,174,743
Investments (Note 2)					\$ 910,720	\$ 910,720
Due from other governments	\$ 187,378	\$ 756,470	\$ 1,242,708		\$ 836,619	\$ 3,023,175
Due from other funds (Note 3)	\$ 2,686,002				\$ 2,825	\$ 2,688,827
Inventories					\$ 39,222	\$ 39,222
<b>Total Assets</b>	<b>\$ 4,776,289</b>	<b>\$ 756,470</b>	<b>\$ 1,242,708</b>	<b>\$ 1,389,916</b>	<b>\$ 3,671,304</b>	<b>\$ 11,836,687</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	\$ 27,433			\$ 1,300	\$ 57	\$ 28,790
Due to other funds (Note 3)		\$ 756,470	\$ 1,242,708		\$ 610,934	\$ 2,610,112
Deferred revenue					\$ 16,804	\$ 16,804
<b>Total Liabilities</b>	<b>\$ 27,433</b>	<b>\$ 756,470</b>	<b>\$ 1,242,708</b>	<b>\$ 1,300</b>	<b>\$ 627,795</b>	<b>\$ 2,655,706</b>
<b>Fund Balances</b>						
Reserved for						
Permanent fund purposes					\$ 475,595	\$ 475,595
Unemployment benefits					\$ 51,000	\$ 51,000
Forestry improvements					\$ 150,640	\$ 150,640
Inventory					\$ 39,222	\$ 39,222
Unreserved						
Undesignated, reported in						
General fund	\$ 4,748,856					\$ 4,748,856
Special revenue funds				\$ 1,388,616	\$ 839,562	\$ 2,228,178
Capital projects funds					\$ 596,074	\$ 596,074
Debt service funds					\$ 272,519	\$ 272,519
Permanent funds					\$ 618,897	\$ 618,897
<b>Total Fund Balances</b>	<b>\$ 4,748,856</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,388,616</b>	<b>\$ 3,043,509</b>	<b>\$ 9,180,981</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,776,289</b>	<b>\$ 756,470</b>	<b>\$ 1,242,708</b>	<b>\$ 1,389,916</b>	<b>\$ 3,671,304</b>	<b>\$ 11,836,687</b>

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

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

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 9,180,981
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$8,542,433	\$ 8,542,433
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (4,472,727)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (67,952)</u>
Total net assets - governmental activities	<u>\$ 13,182,735</u>

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

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

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Displaced Students Fund	Restart Fund	16th Interest Nonshare Fund	Other Governmental Funds	
<b>Revenues</b>						
Local sources	\$ 3,423,428			\$ 37,920	\$ 611,952	\$ 4,073,300
State sources	\$ 11,203,142				\$ 957,759	\$ 12,160,901
Federal sources	\$ 153,160	\$ 756,470	\$ 1,242,708		\$ 3,996,310	\$ 6,148,648
Sixteenth section sources				\$ 411,565	\$ 219,419	\$ 630,984
<b>Total Revenues</b>	<b>\$ 14,779,730</b>	<b>\$ 756,470</b>	<b>\$ 1,242,708</b>	<b>\$ 449,485</b>	<b>\$ 5,785,440</b>	<b>\$ 23,013,833</b>
<b>Expenditures</b>						
Instruction	\$ 7,025,943	\$ 756,470	\$ 1,083,473		\$ 3,224,768	\$ 12,090,654
Support services	\$ 4,288,220		\$ 159,235		\$ 1,080,693	\$ 5,528,148
Noninstructional services	\$ 13,881				\$ 1,244,991	\$ 1,258,872
Sixteenth section				\$ 5,895	\$ 16,292	\$ 22,187
Facilities acquisition and construction	\$ 1,008,640					\$ 1,008,640
Debt service						
Principal (Note 5)					\$ 465,000	\$ 465,000
Interest					\$ 226,624	\$ 226,624
Other					\$ 765	\$ 765
<b>Total Expenditures</b>	<b>\$ 12,336,684</b>	<b>\$ 756,470</b>	<b>\$ 1,242,708</b>	<b>\$ 5,895</b>	<b>\$ 6,259,133</b>	<b>\$ 20,600,890</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 2,443,046</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 443,590</b>	<b>\$ (473,693)</b>	<b>\$ 2,412,943</b>
<b>Other Financing Sources (Uses)</b>						
Insurances loss recoveries	\$ 744,032					\$ 744,032
Sale of transportation equipment	\$ 3,136					\$ 3,136
Operating transfers in (Note 3)	\$ 815,421				\$ 907,892	\$ 1,723,313
Operating transfers out (Note 3)	\$ (738,622)			\$ (593,872)	\$ (390,819)	\$ (1,723,313)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 823,967</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (593,872)</b>	<b>\$ 517,073</b>	<b>\$ 747,168</b>
<b>Net Change in Fund Balances</b>	<b>\$ 3,267,013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (150,282)</b>	<b>\$ 43,380</b>	<b>\$ 3,160,111</b>
<b>Fund Balances</b>						
July 1, 2005	\$ 1,481,843	\$ -	\$ -	\$ 1,538,898	\$ 2,999,145	\$ 6,019,886
Increase in reserve for inventory					\$ 984	\$ 984
<b>June 30, 2006</b>	<b>\$ 4,748,856</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,388,616</b>	<b>\$ 3,043,509</b>	<b>\$ 9,180,981</b>

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

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

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 3,160,111
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$1,364,624 and the depreciation expense amounted to \$446,169. (Note 4)	\$ 918,455
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	\$ 465,000
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ (10,090)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (45,385)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 8,316
The governmental funds reported an increase in reserve for inventory while the transaction is not reported in the statement of activities.	\$ 984
Changes in net assets of governmental activities	<u>\$ 4,497,391</u>

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

Waltham County School District  
Statement of Fiduciary Assets and Liabilities  
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents (Note 2)	\$ 790,073
<b>Total Assets</b>	<u><u>\$ 790,073</u></u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 661,479
Due to other funds (Note 2)	\$ 78,715
Due to student clubs	\$ 49,879
<b>Total Liabilities</b>	<u><u>\$ 790,073</u></u>

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

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

***Government-Wide Financial Statements:***

The Statement of Net Assets and Statement of Activities display information about the 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 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. It also includes grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

***Fund Financial Statements:***

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

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

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

The school district reports the following major governmental funds:

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

**Displaced Students Fund** – This special revenue fund is used to account for the Federal funds that were made available through a new grant to assist with providing educational services to students who were displaced as a result of Hurricane Katrina.

**Restart Fund** – This special revenue fund is used to account for the Federal funds that were made available through a new grant to assist with restarting school services after having been closed as a result of Hurricane Katrina.

**16th Section Interest Nonshared Fund** – This fund is used to account for the expendable financial resources generated from the use of sixteenth section trust lands.

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

Additionally the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

#### D. Account Classifications.

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

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories.

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.

I. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed.  
(See Note 4 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 5 for details).

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 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 accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvement of those assets.
- 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" or "invested in capital assets, net of related debt."

***Fund Financial Statements:***

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

Reserved for debt service purposes – An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

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

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

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) 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. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are held in the name of the Mississippi 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 school district's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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) and investments authorized under Section 27-105-365 Miss. Code Ann. (1972). That authority permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b) direct US Treasury obligations; (c)

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

US Government agencies, US Government instrumentalities or US Government sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company; (f) in a trust consisting of pooled or commingled funds that includes investments in commercial paper and bankers acceptances or other short-term obligations issued by banks having one (1) of the two (2) highest short-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or corporate notes and bonds having one (1) of the three (3) highest long-term rating categories of either Standard Poor's Corporation or Moody's Investors Service, or in any open-ended or closed-ended management-type investment company or investment trust registered under the provisions or 15 USCS Section 80(a)-1 et seq. 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 \$5,174,743 and \$790,073, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$5,100,756 and Restricted Assets - \$618,897. The Restricted Assets represents the cash balance of the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$7,610,057.

**Custodial Credit Risk – Deposits.** Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer's office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement the Mississippi State Treasurer's office is acting on behalf of the school district.

Investments.

The school district had the following investments at year end:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
US Government Securities	AAA	Various	\$ 862,797
Money Funds/Sweep Options	AAA	N/A	\$ 5,542
External Investment Pool			
Mortgaged Backed Securities	AAA	2-20-32	\$ 12,411
Money Markey Account	AAAm	Various	\$ 29,970
			<u>\$ 910,720</u>

Investments are reported at fair value which is based on quoted market price.

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 2,686,002	

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

	Due From	Due To
Major fund – Displaced Students Fund	\$	756,470
Major fund – Restart Fund	\$	1,242,708
Other Governmental Funds	\$ 2,825	\$ 610,934
Fiduciary Funds	\$	78,715
Total funds	\$ 2,688,827	\$ 2,688,827

The purpose of the Due From/To Other Funds is for normal and routine year end closing entries for federal reimbursable programs.

Transfers In/Out.

	Transfers In	Transfers Out
Major Funds:		
General fund	\$ 815,421	\$ 738,622
Major fund – 16 <sup>th</sup> Section Interest Nonshared		\$ 593,872
Other Governmental Funds	\$ 907,892	\$ 390,819
Total funds	\$ 1,723,313	\$ 1,723,313

The transfer out of the General Fund (into the Other Governmental Funds) is primarily to finance programs not otherwise funded, i.e., vocational education. The transfer out of the Major fund – 16<sup>th</sup> Section Interest Nonshared is the transfer of expendable resources to the General Fund.

(4) Capital Assets.

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 119,585					\$ 119,585
Construction in progress	80,578	\$ 1,008,640		\$ (1,089,218)		\$ 0
Total non-depreciable capital	\$ 200,163	\$ 1,008,640		\$ (1,089,218)		\$ 119,585
<u>Depreciable capital assets:</u>						
Buildings	\$ 9,191,839					\$ 9,191,839
Building improvements				\$ 1,089,218		\$ 1,089,218
Mobile equipment	\$ 1,935,624	\$ 192,600	\$ (139,120)			\$ 1,989,104
Furniture and equipment	\$ 575,903	\$ 163,384	\$ (33,705)		\$ 8,320	\$ 713,902
Total depreciable capital assets	\$ 11,703,366	\$ 355,984	\$ (172,825)	\$ 1,089,218	\$ 8,320	\$ 12,984,063
<u>Less accumulated depreciation</u>						
Buildings	\$ 2,604,908	\$ 145,111				\$ 2,750,019
Building improvements	\$ 0	\$ 43,569				\$ 43,569
Mobile equipment	\$ 1,229,846	\$ 132,939	\$ (99,563)			\$ 1,263,222
Furniture and equipment	\$ 404,736	\$ 124,550	\$ (27,877)		\$ 2,996	\$ 504,405
Total accumulated depreciation	\$ 4,239,490	\$ 446,169	\$ (127,440)	\$ 0	\$ 2,996	\$ 4,561,215

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
Total depreciable capital assets, net	\$ 7,463,876	\$ (90,185)	\$ (45,385)	\$ 1,089,218	\$ 5,324	\$ 8,422,848
Governmental activities capital assets, net	\$ 7,664,039	\$ 918,455	\$ (45,385)	\$ 0	\$ 5,324	\$ 8,542,433

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 267,647
Support services	\$ 172,105
Non-instructional	\$ 6,417
Total depreciation expense	\$ 446,169

(5) Long-term liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Balance 6-30-2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 4,055,000		\$ 230,000	\$ 3,825,000	\$ 240,000
B. Three mill notes payable	\$ 740,000		\$ 235,000	\$ 505,000	\$ 245,000
C. Compensated absences payable	\$ 132,637	\$ 10,090		\$ 142,727	\$ 7,136
Total	\$ 4,927,637	\$ 10,090	\$ 465,000	\$ 4,472,727	\$ 492,136

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital Improvement bonds	4.5-8.7	3-1-98	2-1-18	\$ 5,080,000	\$ 3,825,000

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 240,000	\$ 178,034	\$ 418,034
2008	\$ 255,000	\$ 164,114	\$ 419,114
2009	\$ 270,000	\$ 149,580	\$ 419,580
2010	\$ 285,000	\$ 137,700	\$ 422,700
2011	\$ 295,000	\$ 124,874	\$ 419,874
2012 – 2016	\$ 1,695,000	\$ 412,198	\$ 2,107,198

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

Year Ending June 30	Principal	Interest	Total
2017 – 2018	\$ 785,000	\$ 53,324	\$ 838,324
Total	\$ 3,825,000	\$ 1,219,824	\$ 5,044,824

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

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.

B. Three mill notes payable.

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 245,000	\$ 23,936	\$ 268,936
2008	\$ 260,000	\$ 12,357	\$ 272,357
Total	\$ 505,000	\$ 36,293	\$ 541,293

This debt will be retired from the EEF Building and Bus Fund (Special Revenue Fund) and the Three Mill Note Retirement Fund (Debt Service Fund).

C. Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$1,147,856, \$1,015,748 and \$971,078, respectively, which equaled the required contributions for each year.

(7) 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

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

school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2007	\$ 68,168
2008	\$ 71,191
2009	\$ 71,191
2010	\$ 71,191
2011	\$ 69,839
2012 – 2016	\$ 282,434
2017 – 2021	\$ 265,915
2022 – 2026	\$ 265,915
2027-2031	\$ 258,401
Thereafter	\$ 194,800
<b>Total</b>	<b>\$ 1,619,045</b>

(8) Prior Period Adjustments.

Exhibit B	Amount	Explanation
Primary Government	\$ 5,324	Adjustments made to capital assets (see Note 4)
<b>Total Exhibit B</b>	<b>\$ 5,324</b>	

(9) Risk Management.

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

Participation in Public Entity Risk Pool.

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

(10) Subsequent Events.

On February 1, 2007, the school district borrowed \$300,000 from the Mississippi Development Authority under the Mississippi Energy Investment Loan Program. The proceeds of the loan are to be used for energy efficiency improvements and will be repaid from the General Fund.

**SUPPLEMENTARY INFORMATION**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ <u>72,588</u>
Child nutrition cluster:		
School breakfast program	10.553	\$ 419,556
National school lunch program	10.555	\$ 978,854
Summer food service program for children	10.559	\$ 2,128
Total child nutrition cluster		\$ <u>1,400,538</u>
Total U.S. Department of Agriculture		\$ <u>1,473,126</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ <u>153,120</u>
Total Federal Communications Commission		\$ <u>153,120</u>
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,346,702
Vocational education - basic grants to states	84.048	\$ 51,773
Safe and drug-free schools and communities - state grants	84.186	\$ 31,743
Twenty first community learning centers	84.287	\$ 94,462
State grants for innovative programs	84.298	\$ 6,190
Education technology - state grants	84.318	\$ 42,207
Rural education	84.358	\$ 103,455
Improving teacher quality – state grants	84.367	\$ 359,309
Grants for state assessments and related activities	84.369	\$ 8,548
Hurricane education recovery	84.938	\$ <u>2,062,724</u>
Total		\$ <u>4,107,113</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 669,088
Special education - preschool grants	84.173	\$ 10,467
Total		\$ <u>679,555</u>
Total passed-through Mississippi Department of Education		\$ <u>4,786,668</u>
Total U.S. Department of Education		\$ <u>4,786,668</u>
 <u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	\$ <u>5,000</u>
Total Corporation for National and Community Service		\$ <u>5,000</u>

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Homeland Security</u>		
Passed-through the Mississippi Emergency Management Agency:		
Disaster grants - public assistance (presidentially declared disasters)	97.036	\$ <u>129,974</u>
Total U.S. Department of Homeland Security		\$ <u>129,974</u>
 Total for All Federal Awards		 \$ <u>6,547,888</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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,519,191	\$ 13,387,375	\$ 616,783	\$ 1,005,737	\$ 1,509,296
Other	\$ 4,081,699	\$ 1,675,979	\$ 412,370	\$ 54,079	\$ 1,939,271
Total	<u>\$ 20,600,890</u>	<u>\$ 15,063,354</u>	<u>\$ 1,029,153</u>	<u>\$ 1,059,816</u>	<u>\$ 3,448,567</u>
Total number of students	<u>2,713</u>				
Cost per student	<u>\$ 7,593</u>	<u>\$ 5,552</u>	<u>\$ 379</u>	<u>\$ 391</u>	<u>\$ 1,271</u>

Notes to the schedule.

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 2,990,947	\$ 3,423,428	\$ 3,423,428	\$ 432,481	\$ -
State sources	\$ 10,359,805	\$ 11,203,142	\$ 11,203,142	\$ 843,337	\$ -
Federal sources	\$ 2,000	\$ 283,134	\$ 153,160	\$ 281,134	\$ (129,974)
<b>Total Revenues</b>	<b>\$ 13,352,752</b>	<b>\$ 14,909,704</b>	<b>\$ 14,779,730</b>	<b>\$ 1,556,952</b>	<b>\$ (129,974)</b>
<b>Expenditures</b>					
Instruction	\$ 9,140,598	\$ 7,025,943	\$ 7,025,943	\$ 2,114,655	\$ -
Support services	\$ 3,941,461	\$ 4,392,860	\$ 4,288,220	\$ (451,399)	\$ 104,640
Noninstructional services	\$ 4,108	\$ 13,881	\$ 13,881	\$ (9,773)	\$ -
Facilities acquisition and construction	\$ 295,000	\$ 1,033,974	\$ 1,008,640	\$ (738,974)	\$ 25,334
<b>Total Expenditures</b>	<b>\$ 13,381,167</b>	<b>\$ 12,466,658</b>	<b>\$ 12,336,684</b>	<b>\$ 914,509</b>	<b>\$ 129,974</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (28,415)</b>	<b>\$ 2,443,046</b>	<b>\$ 2,443,046</b>	<b>\$ 2,471,461</b>	<b>\$ -</b>
<b>Other Financing Sources (Uses)</b>					
Insurance loss recoveries	\$ -	\$ 744,032	\$ 744,032	\$ 744,032	\$ -
Sale of transportation equipment	\$ -	\$ 3,136	\$ 3,136	\$ 3,136	\$ -
Operating transfers in	\$ 10,000	\$ 2,343,671	\$ 815,421	\$ 2,333,671	\$ (1,528,250)
Operating transfers out	\$ -	\$ (2,266,872)	\$ (738,622)	\$ (2,266,872)	\$ 1,528,250
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 10,000</b>	<b>\$ 823,967</b>	<b>\$ 823,967</b>	<b>\$ 813,967</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (18,415)</b>	<b>\$ 3,267,013</b>	<b>\$ 3,267,013</b>	<b>\$ 3,285,428</b>	<b>\$ -</b>
<b>Fund Balances</b>					
July 1, 2005			\$ 1,481,843		
June 30, 2006			<u>\$ 4,748,856</u>		

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

Walthall County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Displaced Students Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ -	\$ 756,470	\$ 756,470	\$ (756,470)	\$ -
Total Revenues	\$ -	\$ 756,470	\$ 756,470	\$ (756,470)	\$ -
Expenditures					
Instruction	\$ -	\$ 756,470	\$ 756,470	\$ (756,470)	\$ -
Total Expenditures	\$ -	\$ 756,470	\$ 756,470	\$ (756,470)	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
July 1, 2005			\$ -		
June 30, 2006			\$ -		

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

Walthall County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Restart Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ -	\$ 1,242,708	\$ 1,242,708	\$ (1,242,708)	\$ -
Total Revenues	<u>\$ -</u>	<u>\$ 1,242,708</u>	<u>\$ 1,242,708</u>	<u>\$ (1,242,708)</u>	<u>\$ -</u>
Expenditures					
Instruction	\$ -	\$ 1,083,473	\$ 1,083,473	\$ (1,083,473)	\$ -
Support services	\$ -	\$ 159,235	\$ 159,235	\$ (159,235)	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 1,242,708</u>	<u>\$ 1,242,708</u>	<u>\$ (1,242,708)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances					
July 1, 2005			\$ -		
June 30, 2006			<u>\$ -</u>		

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

Walthall County School District  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - 16th Section Interest Nonshared Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 7,335	\$ 37,920	\$ 37,920	\$ (30,585)	\$ -
Sixteenth section sources	\$ -	\$ 411,565	\$ 411,565	\$ (411,565)	\$ -
Total Revenues	<u>\$ 7,335</u>	<u>\$ 449,485</u>	<u>\$ 449,485</u>	<u>\$ (442,150)</u>	<u>\$ -</u>
Expenditures					
Sixteenth section	\$ -	\$ 5,895	\$ 5,895	\$ (5,895)	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ 5,895</u>	<u>\$ 5,895</u>	<u>\$ (5,895)</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,335</u>	<u>\$ 443,590</u>	<u>\$ 443,590</u>	<u>\$ (436,255)</u>	<u>\$ -</u>
Other Financing Sources (Uses)					
Operating transfers out		\$ (593,872)	\$ (593,872)	\$ 593,872	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (593,872)</u>	<u>\$ (593,872)</u>	<u>\$ 593,872</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 7,335</u>	<u>\$ (150,282)</u>	<u>\$ (150,282)</u>	<u>\$ 157,617</u>	<u>\$ -</u>
Fund Balances					
July 1, 2005			\$ 1,538,898		
June 30, 2006			<u>\$ 1,388,616</u>		

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

Walthall County School District  
Notes to the Required Supplemental Information  
For the Year Ended June 30, 2006

(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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

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**REPORTS ON INTERNAL CONTROLS AND COMPLIANCE**

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# Charles L. Shivers, CPA

P O Box 2775  
Ridgeland, MS 39158  
Phone: 601-941-6649

Member  
AICPA  
MSCPA

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

Superintendent and School Board  
Walthall County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walthall County School District as of and for the year ended June 30, 2006, which collectively comprise the district's basic financial statements and have issued my report thereon dated July 24, 2007. I conducted my 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 my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS  
July 24, 2007

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# Charles L. Shivers, CPA

P O Box 2775  
Ridgeland, MS 39158  
Phone: 601-941-6649

Member  
AICPA  
MSCPA

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

Superintendent and School Board  
Walthall County School District

### Compliance

I have audited the compliance of the Walthall County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The district's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, Walthall County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of the Walthall County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS  
July 24, 2007

**REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

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# Charles L. Shivers, CPA

P O Box 2775  
Ridgeland, MS 39158  
Phone: 601-941-6649

Member  
AICPA  
MSCPA

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## REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Walthall County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Walthall County School District as of and for the year ended June 30, 2006, which collectively comprise Walthall County School District's basic financial statements and have issued my report thereon dated July 24, 2007. I conducted my 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, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my 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 \$19,409 of classroom supply funds carried over from previous years.

For the items tested for compliance with other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the State Auditor and my audit of the basic financial statements, nothing came to my attention to indicate that the district did not comply with the items tested.

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.



Ridgeland, MS  
July 24, 2007

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

Section 1: Summary of Auditor's Results

**Financial Statements:**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                     | Unqualified   |
| 2. | Material noncompliance relating to the basic financial statements?                     | No            |
| 3. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |     |   |               |
|-----|---|---------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 5.  | Internal control over major programs:   |               |
|     | a. Material weaknesses identified?  | No            |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?  | None Reported |
| 6.  | Any audit finding(s) reported as required by section __.510(a) of Circular A-133?   | No            |
| 7.  | Federal program identified as major program:  |               |
|     | a. Child Nutrition Cluster  |               |
|     | CFDA #: 10.553  |               |
|     | CFDA #: 10.555  |               |
|     | CFDA #: 10.559  |               |
|     | b. Special Education Cluster  |               |
|     | CFDA #: 84.027  |               |
|     | CFDA#: 84.173   |               |
|     | c. Hurricane Education Recovery   |               |
|     | CFDA #: 84.938  |               |
|     | d. Disaster Grants - Public Assistance (Presidentially Declared Disasters)  |               |
|     | CFDA#: 97.036   |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes           |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No            |

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statement that are required by the *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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

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