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**West Bolivar School District**  
**Audited Financial Statements**  
June 30, 2006



**J.E. Fortenberry, III, PC**  
Certified Public Accountant

FINANCIAL AUDIT REPORT

**West Bolivar School District  
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West Bolivar Elementary School



**INDEPENDENT AUDITOR'S REPORT  
ON THE BASIC FINANCIAL STATEMENTS ACCOMPANIED  
BY REQUIRED SUPPLEMENTARY INFORMATION  
AND SUPPLEMENTARY INFORMATION**

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board  
West Bolivar School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Bolivar School District as of and for the year ended June 30, 2006, which collectively comprise the West Bolivar School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Bolivar School District's management. My responsibility is to express an opinion 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

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 West Bolivar 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 November 17, 2006 on my consideration of the West Bolivar School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages (9) through (17) and the Budgetary Comparison Schedule and corresponding notes on pages (47) through (53) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 West Bolivar School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, P.C.  
November 17, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$68,317, which represents a 4% increase from fiscal year 2005.
- General revenues account for \$6,417,334, or 71% of all revenues. This amount was more percentage-wise than the general revenues for the year 2005, which consisted of \$6,421,694, or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,613,589 or 29 % of total revenues compared to \$2,727,161 in 2005.
- The district had \$8,962,606 in expenses, amount that increased when compared with the \$8,862,507 in expenses for the prior year; only \$2,613,589 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$6,417,334 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,872,516 in revenues and \$5,764,821 in expenditures. In 2005 the General Fund had \$6,068,273 in revenues and \$5,715,553 in expenditures. The General Fund's fund balance increased by \$49,118.
- Capital assets, net of accumulated depreciation, decreased by \$33,333 due to retirement of assets and depreciation expense.
- Long-term debt decreased by \$131,097.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial

statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24

and 28, respectively.

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

The basic governmental fund financial statements can be found on page 22 and 26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 29.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-45 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 47-53 of this report.

Additionally, a schedule of expenditures of federal awards, required by OMB Cir. A-133. And a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 55 and 56 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,743,879 as of June 30, 2006.

(13%) of the District's Net Assets reflects its investment in capital assets (e.g., buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net

result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

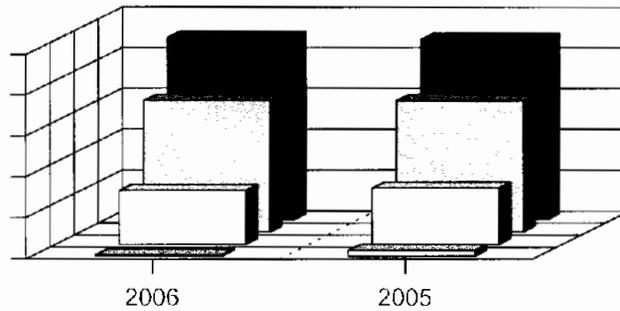
|  | 2006                | 2005             | Percentage Change |
|--|---------------------|------------------|-------------------|
| <b>Assets</b>                                      |                     |                  |                   |
| Current assets                                     | \$ 1,615,078        | 1,750,637        | -8%               |
| Capital assets, net                                | 2,282,181           | 2,315,514        | -1%               |
| <b>Total assets</b>                                | <b>3,897,259</b>    | <b>4,066,151</b> | <b>-4%</b>        |
| <b>Liabilities</b>                                 |                     |                  |                   |
| Current liabilities                                | 59,543              | 165,655          | -64%              |
| Long-term liabilities                              | 2,093,837           | 2,224,934        | -6%               |
| <b>Total liabilities</b>                           | <b>2,153,380</b>    | <b>2,390,589</b> | <b>-10%</b>       |
| <b>Net Assets</b>                                  |                     |                  |                   |
| Invested in capital assets,<br>net of related debt | 226,419             | 129,848          | 74%               |
| Restricted   | 1,410,164           | 579,765          | 143%              |
| Unrestricted                                       | 107,296             | 965,949          | -89%              |
| <b>Total Net Assets</b>                            | <b>\$ 1,743,879</b> | <b>1,675,562</b> | <b>4%</b>         |

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

- The principal payments of \$131,097 of long-term debt.
- The addition of \$147,276 in capital assets.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$9,030,923. The total cost of all programs and services was \$8,962,606. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

Revenues as per Statement of Activities



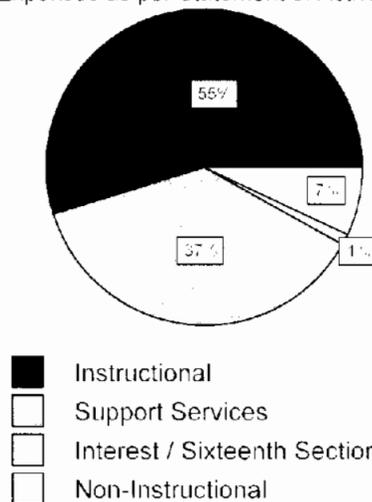
- Expenses
- General Revenues
- Program Revenues
- Increase in Net Assets

|  | 2006             | 2005             | Percentage Change |
|--|------------------|------------------|-------------------|
| <b>Revenues</b>                          |                  |                  |                   |
| <b>Program Revenues</b>                  |                  |                  |                   |
| Charges for services                     | \$ 111,008       | 112,575          | -1%               |
| Operating Grants and Contributions       | 2,468,310        | 2,464,586        | 0.15%             |
| Capital Grants and Contributions         | 34,271           | 150,000          | -77%              |
| <b>Total Program Revenues</b>            | <b>2,613,589</b> | <b>2,727,161</b> | <b>-4%</b>        |
| <b>General Revenues</b>                  |                  |                  |                   |
| Property Taxes                           | 916,251          | 915,736          | 0.06%             |
| Unrestricted Grants and Contributions    | 5,115,496        | 4,959,007        | 3%                |
| Unrestricted Investment Earnings         | 8,775            | 6,156            | 43%               |
| Sixteenth Section Sources                | 202,897          | 193,925          | 5%                |
| Other                                    | 173,915          | 346,870          | -50%              |
| <b>Total General Revenues</b>            | <b>6,417,334</b> | <b>6,421,694</b> | <b>-0.07%</b>     |
| <b>Total revenues</b>                    | <b>9,030,923</b> | <b>9,148,855</b> | <b>-1%</b>        |
| <b>Expenses</b>                          |                  |                  |                   |
| Instruction                              | 4,920,227        | 4,583,568        | 7%                |
| Support services                         | 3,322,622        | 3,317,109        | 0.17%             |
| Non-instructional                        | 599,611          | 904,484          | -34%              |
| Interest on long-term liabilities        | 96,163           | 25,501           | 277%              |
| Sixteenth section                        | 23,983           | 31,845           | -25%              |
| <b>Total expenses</b>                    | <b>8,962,606</b> | <b>8,862,507</b> | <b>1%</b>         |
| <b>Increase (Decrease) in net assets</b> | <b>68,317</b>    | <b>286,348</b>   | <b>-76%</b>       |
| Net Assets, July 1                       | 1,675,562        | 1,326,639        | 26%               |
| Prior Period Adjustment                  | -                | 62,575           | -100%             |
| Net Assets, June 30                      | \$ 1,743,879     | 1,675,562        | 4%                |

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

|                                   |              |           | 2006          | 2005          |
|-----------------------------------|--------------|-----------|---------------|---------------|
|                                   | 2006         | 2005      | Net (Expense) | Net (Expense) |
|                                   | Expenses     | Expenses  | Revenue       | Revenue       |
| Instruction                       | \$ 4,920,227 | 4,583,568 | (4,455,335)   | (4,189,459)   |
| Support Services                  | 3,322,622    | 3,317,109 | (1,826,636)   | (1,818,896)   |
| Non-Instructional                 | 599,611      | 904,484   | 53,100        | (69,645)      |
| Sixteenth Section                 | 23,983       | 25,501    | (23,983)      | (25,501)      |
| Interest on Long-Term Liabilities | 96,163       | 31,845    | (96,163)      | (31,845)      |
|                                   | \$ 8,962,606 | 8,862,507 | (6,349,017)   | (6,135,346)   |

Expenses as per Statement of Activities



- Net cost of governmental activities (\$6,349,017), was financed by general revenue, which is made up primarily of state grants (\$5,087,051).
- Investment earnings accounted for \$8,775 of funding.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve

as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,595,661, a decrease of \$33,455.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$49,118. The increase in fund balance in the School Food Service Fund for the fiscal year was \$42,743. The fund balance in the Summer Food Service Fund-2006 remained the same. The fund balance of the Title I B-3 Reading First Fund for the fiscal year did not change. The fund balance of the Sixteenth Section Interest Funds for the fiscal year decreased \$71,373, due to \$250,000 being transferred to District Maintenance to cover FY 06 expenditures. The fund balance of Other Governmental Funds showed a decrease of \$61,563.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

#### **General fund:**

Budgeted amounts for revenue from state sources were decreased due to less MAEP funding. Budgeted amounts for expenditures were decreased due to funding decreases.

#### **School Food Service Fund**

Actual revenues were more than budgeted because revenues were underestimated. Actual expenditures were more than budgeted because anticipated expenditures cost more than that was budgeted.

#### **Summer Food Service Fund-2006**

It was not originally budgeted due to the summer feeding program being approved after the original budget. Actual revenues were more than budgeted because revenues received from local sources were not anticipated.

#### **Title I**

Actual revenues were less than budgeted because the original allocation for FY 06 was budgeted. Funds were requested as needed. Actual expenditures were less than budgeted due to FY 06 allocation and the balance of FY 05 were budgeted.

#### **Sixteenth Section Interest Fund**

Actual revenues were greater than budgeted due to an increase in the pro rata share.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$4,593,239, including school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$139,779 from the previous year. One major component of this increase was new roof for the elementary school. Total accumulated depreciation as of June 30, 2006 was \$2,311,058 and total depreciation expense for the year was \$180,534, resulting in total net capital assets of \$2,282,181.

|                                      | Capital Assets, Net of Depreciation |           | Percentage |
|--------------------------------------|-------------------------------------|-----------|------------|
|                                      | 2006                                | 2005      | Change     |
| Buildings                            | \$ 1,570,194                        | 1,610,819 | -3%        |
| Building improvements                | 225,972                             | 235,873   | -4%        |
| Improvements other than buildings    | 12,902                              | 12,902    | 0%         |
| Mobile equipment                     | 303,214                             | 302,962   | 0%         |
| Furniture and equipment              | 156,107                             | 135,777   | 15%        |
| Leased property under capital leases | 13,792                              | 17,181    | -20%       |
|                                      | \$ 2,282,181                        | 2,315,514 | -1%        |

Additional information of the District's capital assets can be found in Note 5 on page 41 of this report.

**Debt Administration.** At June 30, 2006, the District had \$2,025,000 in general obligation bonds outstanding and \$68,837 in other long-term debt outstanding, of which \$127,159 is due within one year.

|                                  |              |           | Percentage |
|----------------------------------|--------------|-----------|------------|
|                                  | 2006         | 2005      | Change     |
| Limited obligation bonds payable | \$ 2,025,000 | 2,135,000 | -5%        |
| Obligations under capital leases | -            | 9,649     | -100%      |
| Other loans payable              | 30,762       | 41,017    | -25%       |
| Compensated absences             | 38,075       | 39,268    | -3%        |
|                                  | \$ 2,093,837 | 2,224,934 | -6%        |

The District maintains an A+ bond rating with Standard and Poor's. Additional information of the District's long-term debt can be found in Note 6 on page 41 of this report.

## **CURRENT ISSUES AND OTHER INFORMATION**

The West Bolivar 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 increased. In addition, the District system of financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will decline 20 students. The budget for the next fiscal year has taken into account this reduction in both funding and staffing needs.

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

If you have questions about this report, contact the Superintendent's Office of the West Bolivar School District, P. O. Box 189, Rosedale, MS 38769 .

FINANCIAL STATEMENTS

**WEST BOLIVAR SCHOOL DISTRICT**

## STATEMENT OF NET ASSETS

JUNE 30, 2006

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets:</b>   |                                    |
| <i>Cash and cash equivalents</i>                       | \$ 1,287,889                       |
| <i>Investments</i>                                     | 73,929                             |
| <i>Due from other governments</i>                      | 226,182                            |
| <i>Inventories and prepaid items</i>                   | 12,850                             |
| <i>Restricted assets</i>                               | 14,228                             |
| <i>Capital assets, net of accumulated depreciation</i> |                                    |
| <i>Buildings</i>                                       | 1,570,194                          |
| <i>Building improvements</i>                           | 225,972                            |
| <i>Improvements other than buildings</i>               | 12,902                             |
| <i>Mobile equipment</i>                                | 303,214                            |
| <i>Furniture and equipment</i>                         | 156,107                            |
| <i>Leased property under capital leases</i>            | 13,792                             |
| <b>Total Assets</b>                                    | <u>3,897,259</u>                   |
| <b>Liabilities:</b>                                    |                                    |
| <i>Accounts payable and accrued liabilities</i>        | 13,744                             |
| <i>Deferred revenue</i>                                | 5,672                              |
| <i>Interest payable on long-term liabilities</i>       | 40,127                             |
| <b>Long-term liabilities (due within one year):</b>    |                                    |
| <i>Capital related liabilities</i>                     | 125,255                            |
| <i>Non-capital related liabilities</i>                 | 1,904                              |
| <b>Long-term liabilities (due beyond one year)</b>     |                                    |
| <i>Capital related liabilities</i>                     | 1,930,507                          |
| <i>Non-capital related liabilities</i>                 | 36,171                             |
| <b>Total Liabilities</b>                               | <u>2,153,380</u>                   |
| <b>NET ASSETS</b>                                      |                                    |
| Invested in Capital Assets, Net of Related Debt        | 226,419                            |
| Restricted For:  |                                    |
| School based activities                                | 1,190,115                          |
| Debt service   | 184,393                            |
| Forestry improvements                                  | 256                                |
| Unemployment benefits                                  | 21,172                             |
| Sixteenth section                                      |                                    |
| Expendable   | 374                                |
| Nonexpendable  | 13,854                             |
| Unrestricted   | 107,296                            |
| <b>Total Net Assets</b>                                | <u>\$ 1,743,879</u>                |

The accompanying notes are an integral part of this statement.

## WEST BOLIVAR SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

| Functions/Programs                     | Expenses            | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|---------------------|-------------------------|--|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| Primary government                     |                     |                         |  |  |  |
| Governmental Activities:               |                     |                         |  |  |  |
| Instruction                            | \$ 4,920,227        | \$ 73,837               | \$ 356,784                               | \$ 34,271                              | \$ (4,455,335)   |
| Support services                       | 3,322,622           | --                      | 1,495,986                                | --                                     | (1,826,636)  |
| Noninstructional services              | 599,611             | 37,171                  | 615,540                                  | --                                     | 53,100   |
| Sixteenth section                      | 23,983              | --                      | --                                       | --                                     | (23,983)   |
| Interest on long-term liabilities      | 96,163              | --                      | --                                       | --                                     | (96,163)   |
| Total Primary Government               | <u>\$ 8,962,606</u> | <u>\$ 111,008</u>       | <u>\$ 2,468,310</u>                      | <u>\$ 34,271</u>                       | <u>(6,349,017)</u>                                       |
| General Revenues:                      |                     |                         |  |  |  |
| Taxes:                                 |                     |                         |  |  |  |
| General purpose levies                 |                     |                         |  |  | 916,251  |
| Unrestricted grants and contributions: |                     |                         |  |  |  |
| State                                  |                     |                         |  |  | 5,087,051  |
| Federal                                |                     |                         |  |  | 28,445   |
| Unrestricted investment earnings       |                     |                         |  |  | 8,775  |
| Sixteenth section sources              |                     |                         |  |  | 202,897  |
| Other                                  |                     |                         |  |  | 173,915  |
| Total general revenues                 |                     |                         |  |  | <u>6,417,334</u>   |
| Change in Net Assets                   |                     |                         |  |  | 68,317   |
| Net Assets - Beginning                 |                     |                         |  |  | 1,675,562  |
| Net Assets - Ending                    |                     |                         |  |  | <u>\$ 1,743,879</u>                                      |

The accompanying notes are an integral part of this statement.

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**WEST BOLIVAR SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

|   | General<br>Fund   | School<br>Food<br>Service Fund | Summer<br>Food<br>Service-2006 |
|---|-------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>                                   |                   |                                |                                |
| <i>Cash and cash equivalents</i>                | \$ 177,264        | \$ 286,526                     | \$ --                          |
| <i>Investments</i>                              | --                | --                             | --                             |
| <i>Due from other governments</i>               | 51,021            | --                             | 22,592                         |
| <i>Due from other funds</i>                     | 38,617            | 22,592                         | --                             |
| <i>Inventories and prepaid items</i>            | --                | 10,853                         | 1,997                          |
| <b>Total Assets</b>                             | <b>\$ 266,902</b> | <b>\$ 319,971</b>              | <b>\$ 24,589</b>               |
| <b>LIABILITIES AND FUND BALANCES</b>            |                   |                                |                                |
| Liabilities:                                    |                   |                                |                                |
| <i>Accounts payable and accrued liabilities</i> | \$ 13,744         | \$ --                          | \$ --                          |
| <i>Due to other funds</i>                       | 3,873             | --                             | 22,592                         |
| <i>Deferred revenue</i>                         | --                | --                             | --                             |
| <b>Total Liabilities</b>                        | <b>17,617</b>     | <b>--</b>                      | <b>22,592</b>                  |
| Fund balances:                                  |                   |                                |                                |
| Reserved for:                                   |                   |                                |                                |
| <i>Inventory</i>                                | --                | 10,853                         | 1,997                          |
| <i>Forestry</i>                                 | --                | --                             | --                             |
| <i>Unemployment</i>                             | --                | --                             | --                             |
| <i>Permanent funds</i>                          | --                | --                             | --                             |
| Unreserved, undesignated, reported in:          |                   |                                |                                |
| <i>General fund</i>                             | 249,285           | --                             | --                             |
| <i>Special Revenue funds</i>                    | --                | 309,118                        | --                             |
| <i>Debt service funds</i>                       | --                | --                             | --                             |
| <i>Permanent funds</i>                          | --                | --                             | --                             |
| <b>Total Fund Balances</b>                      | <b>249,285</b>    | <b>319,971</b>                 | <b>1,997</b>                   |
| <b>Total Liabilities and Fund Balances</b>      | <b>\$ 266,902</b> | <b>\$ 319,971</b>              | <b>\$ 24,589</b>               |

| <u>Title I<br/>B - 3<br/>Reading First</u> | <u>Sixteenth<br/>Section<br/>Interest Funds</u> | <u>MAEP<br/>Retirement<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---|-------------------------------------|---|---|
| \$ --                                      | \$ 768,622                                      | \$ --                               | \$ 69,705                               | \$ 1,302,117                            |
| --   | --  | 73,929                              | --                                      | 73,929                                  |
| 19,601                                     | --  | 107,975                             | 13,147                                  | 214,336                                 |
| --   | --  | --                                  | 3,873                                   | 65,082                                  |
| --   | --  | --                                  | --                                      | 12,850                                  |
| <u>\$ 19,601</u>                           | <u>\$ 768,622</u>                               | <u>\$ 181,904</u>                   | <u>\$ 86,725</u>                        | <u>\$ 1,668,314</u>                     |
| \$ --                                      | \$ --   | \$ --                               | \$ --                                   | \$ 13,744                               |
| 19,601                                     | --  | --                                  | 7,171                                   | 53,237                                  |
| --   | --  | --                                  | 5,672                                   | 5,672                                   |
| <u>19,601</u>                              | <u>--</u>                                       | <u>--</u>                           | <u>12,843</u>                           | <u>72,653</u>                           |
| --   | --  | --                                  | --                                      | 12,850                                  |
| --   | --  | --                                  | 256                                     | 256                                     |
| --   | --  | --                                  | 21,172                                  | 21,172                                  |
| --   | --  | --                                  | 13,854                                  | 13,854                                  |
| --   | --  | --                                  | --                                      | 249,285                                 |
| --   | 768,622   | --                                  | 38,226                                  | 1,115,966                               |
| --   | --  | 181,904                             | --                                      | 181,904                                 |
| --   | --  | --                                  | 374                                     | 374                                     |
| --   | 768,622   | 181,904                             | 73,882                                  | 1,595,661                               |
| <u>\$ 19,601</u>                           | <u>\$ 768,622</u>                               | <u>\$ 181,904</u>                   | <u>\$ 86,725</u>                        | <u>\$ 1,668,314</u>                     |

**WEST BOLIVAR SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

|  |                     |
|--|---------------------|
| Total fund balances - governmental funds balance sheet   | \$ 1,595,661        |
| Amounts reported for governmental activities in the statement of net assets ("SNA") are different because: |                     |
| Capital assets used in governmental activities are not reported in the funds.                              | 2,282,181           |
| Liability due in one year recognized in the SNA but not in the funds.                                      | (127,159)           |
| Payables for bond principal which are not due in the current period are not reported in the funds.         | (1,910,000)         |
| Payables for bond interest which are not due in the current period are not reported in the funds.          | (40,127)            |
| Payables for compensated absences not due in current period are not reported in the funds.                 | (36,171)            |
| Other long-term liabilities not due and payable in current period are not reported in the funds.           | (20,507)            |
| Rounding difference  | 1                   |
|  | <hr/>               |
| Net assets of governmental activities - statement of net assets  | \$ <u>1,743,879</u> |

The accompanying notes are an integral part of this statement.

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**WEST BOLIVAR SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

|   | General<br>Fund   | School<br>Food<br>Service Fund | Summer<br>Food<br>Service-2006 |
|---|-------------------|--------------------------------|--------------------------------|
| <b>Revenue:</b>                                     |                   |                                |                                |
| Local sources                                       | \$ 1,090,243      | \$ 42,613                      | \$ 47                          |
| State sources                                       | 4,753,328         | 3,277                          | --                             |
| Federal sources                                     | 28,945            | 589,671                        | 22,592                         |
| Sixteenth section sources                           | --                | --                             | --                             |
| Total revenues                                      | <u>5,872,516</u>  | <u>635,561</u>                 | <u>22,639</u>                  |
| <b>Expenditures:</b>                                |                   |                                |                                |
| Instruction   | 3,685,091         | --                             | --                             |
| Support services                                    | 2,043,536         | 97,827                         | --                             |
| Noninstructional services                           | 15,500            | 494,991                        | 22,639                         |
| Sixteenth section                                   | --                | --                             | --                             |
| Debt service:                                       |                   |                                |                                |
| Principal   | 19,904            | --                             | --                             |
| Interest  | 790               | --                             | --                             |
| Total expenditures                                  | <u>5,764,821</u>  | <u>592,818</u>                 | <u>22,639</u>                  |
| Excess (deficiency) of revenues (over) expenditures | 107,695           | 42,743                         | --                             |
| <b>Other financing sources (uses):</b>              |                   |                                |                                |
| Operating transfers in                              | 418,663           | --                             | --                             |
| Operating transfers out                             | (477,240)         | --                             | --                             |
| Other financing uses                                | --                | --                             | --                             |
| Total other financing sources (uses)                | <u>(58,577)</u>   | <u>--</u>                      | <u>--</u>                      |
| Net change in fund balance                          | 49,118            | 42,743                         | --                             |
| <b>Fund Balances:</b>                               |                   |                                |                                |
| July 1, 2005  | 200,167           | 276,475                        | --                             |
| Increase (decrease) in reserve for inventory        | --                | 753                            | 1,997                          |
| <b>June 30, 2006</b>                                | <u>\$ 249,285</u> | <u>\$ 319,971</u>              | <u>\$ 1,997</u>                |

The accompanying notes are an integral part of this statement.

| Title I<br>B - 3<br>Reading First | Sixteenth<br>Section<br>Interest Funds | MAEP<br>Retirement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------|--|----------------------------|--------------------------------|--------------------------------|
| \$ --                             | \$ --                                  | \$ 1,307                   | \$ 75,738                      | \$ 1,209,948                   |
| --                                | --                                     | 215,950                    | 495,611                        | 5,468,166                      |
| 180,797                           | --                                     | --                         | 1,327,906                      | 2,149,911                      |
| --                                | 202,610                                | --                         | 287                            | 202,897                        |
| <u>180,797</u>                    | <u>202,610</u>                         | <u>217,257</u>             | <u>1,899,542</u>               | <u>9,030,922</u>               |
| 130,217                           | --                                     | --                         | 1,027,456                      | 4,842,764                      |
| 47,349                            | --                                     | --                         | 1,196,093                      | 3,384,805                      |
| 385                               | --                                     | --                         | 48,979                         | 582,494                        |
| --                                | 23,983                                 | --                         | --                             | 23,983                         |
| --                                | --                                     | 110,000                    | --                             | 129,904                        |
| --                                | --                                     | 99,055                     | --                             | 99,845                         |
| <u>177,951</u>                    | <u>23,983</u>                          | <u>209,055</u>             | <u>2,272,528</u>               | <u>9,063,795</u>               |
| 2,846                             | 178,627                                | 8,202                      | (372,986)                      | (32,873)                       |
| 414                               | --                                     | --                         | 326,819                        | 745,896                        |
| (3,260)                           | (250,000)                              | --                         | (15,396)                       | (745,896)                      |
| --                                | --                                     | (582)                      | --                             | (582)                          |
| <u>(2,846)</u>                    | <u>(250,000)</u>                       | <u>(582)</u>               | <u>311,423</u>                 | <u>(582)</u>                   |
| --                                | (71,373)                               | 7,620                      | (61,563)                       | (33,455)                       |
| --                                | 839,995                                | 174,284                    | 136,677                        | 1,627,598                      |
| --                                | --                                     | --                         | (1,232)                        | 1,518                          |
| <u>\$ --</u>                      | <u>\$ 768,622</u>                      | <u>\$ 181,904</u>          | <u>\$ 73,882</u>               | <u>\$ 1,595,661</u>            |

**WEST BOLIVAR SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

|  |                  |
|--|------------------|
| Net change in fund balances - total governmental funds   | \$ (33,455)      |
| Amounts reported for governmental activities in the statement of activities ("SOA") are different because: |                  |
| Capital outlays are not reported as expenses in the SOA.   | 147,276          |
| The depreciation of capital assets used in governmental activities is not reported in the funds.           | (180,534)        |
| The gain or loss on the sale of capital assets is not reported in the funds.                               | (75)             |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.               | 110,000          |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.      | 9,649            |
| Repayment of principal is an expenditure in the funds but is not an expense in the SOA.                    | 10,255           |
| (Increase) decrease in accrued interest from beginning of period to end of period                          | 2,489            |
| Change in inventory is adjustment to FB in funds but affects Non-instructional EX in SOA.                  | 1,518            |
| Compensated absences reported as amount earned in SOA but as amount paid in the funds.                     | 1,193            |
| Rounding difference  | 1                |
|  | <hr/>            |
| Change in net assets of governmental activities - statement of activities                                  | \$ <u>68,317</u> |

The accompanying notes are an integral part of this statement.

**WEST BOLIVAR SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

|   | <u>Agency<br/>Funds</u>  |
|---|--------------------------|
| <b>ASSETS</b>                                     |                          |
| Assets:   |                          |
| <i>Cash and other deposits</i>                    | \$ 394,704               |
| <i>Due from local sources</i>                     | 691                      |
| <b>Total Assets</b>                               | <b><u>\$ 395,395</u></b> |
| <b>LIABILITIES</b>                                |                          |
| Liabilities:                                      |                          |
| <i>Accounts payable &amp; Accrued Liabilities</i> | \$ 368,085               |
| <i>Due to student clubs</i>                       | 15,465                   |
| <i>Due to other funds</i>                         | 11,845                   |
| <b>Total Liabilities</b>                          | <b><u>\$ 395,395</u></b> |

The accompanying notes are an integral part of this statement.

**West Bolivar School District**

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

## West Bolivar School District

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

### (1) Summary of Significant Accounting Policies.

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

#### A. Financial Reporting Entity.

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

#### B. Basis of Presentation.

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

#### ***Government Wide Financial Statements:***

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

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

## West Bolivar School District

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

### ***Fund Financial Statements:***

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

#### C. Measurement Focus and Basis of Accounting.

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

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and 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 - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

School Food Service Fund - This fund is used to account for food distribution, the school breakfast program, and the national school lunch program.

Summer Food Service Fund - This fund accounts for the resources available for local sponsors who want to combine a feeding program with a

## West Bolivar School District

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

summer activity program. During the school year, nutritious meals are available through the National School Lunch and School Breakfast Programs. But those programs end when school ends for the summer. The U.S. Department of Agriculture's Summer Food Service Program helps fill the hunger gap.

Title I B-3 Reading First Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structure project.

Sixteenth Section Interest Funds - This fund is used to account for maintaining and improving sixteenth section 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 Project 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 result of operations.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad

## West Bolivar School District

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

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

#### E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

#### 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 account and certificates of deposit with maturities of twelve 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 Sections 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 of greater than twelve months when acquired. Investments are reported at fair value.

#### H. Inventories and Prepaid Items.

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

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

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

**West Bolivar School District**

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

acquisition.

I. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets 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 scale details those thresholds.

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

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

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

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

## West Bolivar School District

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

Short-term (due within one year) interfund 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, construction, 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 all reserves used by the district:

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

## West Bolivar School District

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

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

Restricted for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

### M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities 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) Changes in Accounting Standards.

## West Bolivar School District

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

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

(3) Cash and Cash Equivalents, and Investments.

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against 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 (3), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more

**West Bolivar School District**

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

of any fund must be credited to that fund. Amount less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits reported in the governmental funds and fiduciary funds was \$1,302,117 and \$394,704, respectively. The carrying amount of deposits reported in government-wide statements was: Cash and Cash Equivalents \$1,287,889 and Restricted Assets \$14,228. The Restricted Assets represents the cash balance of the 16<sup>th</sup> section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's program. The bank balance was \$2,458,232.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$2,458,232 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments in the internal investment pool.

| Investment Type                        | Maturities<br>(in years) | Fair Value              | Rating |
|--|--------------------------|-------------------------|--------|
| Treasury Securities Money Market Funds | N/A                      | \$ <u>73,929</u>        | A      |
| Total Investments                      |                          | \$ <u><u>73,929</u></u> |        |

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

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

**West Bolivar School District**

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments of underlying securities are held by the investment's counterparty, not in the name of the district.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had the following investments:

| Issuer  | Fair Value | % of Total Investments |
|---|------------|------------------------|
| Hancock Horizon Treasury Sec. Money Market CI A | 73,929     | 100%                   |
|   | \$ 73,929  |                        |

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

|                           | Due From  | Due To |
|---------------------------|-----------|--------|
| Governmental funds:       |           |        |
| General fund              | \$ 38,617 | 3,873  |
| School Food Service Fund  | 22,592    | 0      |
| Summer Food Service       | 0         | 22,592 |
| Title I B-3 Reading First | 0         | 19,601 |
| Agency Funds              | 0         | 11,845 |
| Other Governmental Funds  | 3,873     | 7,171  |
| Total Funds               | \$ 65,082 | 65,082 |

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

**West Bolivar School District**

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

**B. Transfers In/Out**

|                                  | <u>Transfer In</u> | <u>Transfers<br/>Out</u> |
|----------------------------------|--------------------|--------------------------|
| Governmental funds:              |                    |                          |
| General fund                     | \$ 418,663         | 477,240                  |
| Title I A Basic FYE 2003         | 414                | 3,260                    |
| Sixteenth Section Interest Funds | 0                  | 250,000                  |
| Other governmental funds         | 326,819            | 15,396                   |
| Total Funds                      | <u>\$ 745,896</u>  | <u>745,896</u>           |

The purpose of the transfers was to cover expenses and replenish district maintenance fund. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

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

|   | Balance<br>7-1-2005 | Additions       | Retirements  | Adjustments | Balance<br>6-30-2006 |
|---|---------------------|-----------------|--------------|-------------|----------------------|
| <u>Depreciable capital assets:</u>          |                     |                 |              |             |                      |
| Buildings                                   | \$ 2,983,383        |                 |              |             | 2,983,383            |
| Building Improvements                       | 247,513             |                 |              |             | 247,513              |
| Improvements other than bldgs.              | 64,529              |                 |              |             | 64,529               |
| Mobile equipment                            | 672,339             | 48,986          |              |             | 721,325              |
| Furniture and equipment                     | 461,737             | 98,290          | 7,497        |             | 552,530              |
| Leased property under capital leases        | 23,959              |                 |              |             | 23,959               |
| Total depreciable capital assets            | <u>4,453,460</u>    | <u>147,276</u>  | <u>7,497</u> | <u>0</u>    | <u>4,593,239</u>     |
| <u>Less accumulated depreciation for:</u>   |                     |                 |              |             |                      |
| Buildings                                   | 1,372,564           | 40,625          |              |             | 1,413,189            |
| Building Improvements                       | 11,640              | 9,901           |              |             | 21,541               |
| Improvements other than bldgs.              | 51,627              |                 |              |             | 51,627               |
| Mobile equipment                            | 369,377             | 48,734          |              |             | 418,111              |
| Furniture and equipment                     | 325,960             | 77,885          | 7,422        |             | 396,423              |
| Leased property under capital leases        | 6,778               | 3,389           |              |             | 10,167               |
| Total accumulated depreciation              | <u>2,137,946</u>    | <u>180,534</u>  | <u>7,422</u> | <u>0</u>    | <u>2,311,058</u>     |
| Total depreciable capital assets, net       | <u>2,315,514</u>    | <u>(33,258)</u> | <u>75</u>    | <u>0</u>    | <u>2,282,181</u>     |
| Governmental activities capital assets, net | <u>\$ 2,315,514</u> | <u>(33,258)</u> | <u>75</u>    | <u>0</u>    | <u>2,282,181</u>     |

Depreciation expense was charged to the following governmental functions:

Amount

**West Bolivar School District**

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

|                                   |                         |
|-----------------------------------|-------------------------|
| Instruction                       | \$126,374               |
| Support services                  | 36,107                  |
| Non-instructional                 | <u>18,053</u>           |
| <b>Total depreciation expense</b> | <b><u>\$180,534</u></b> |

(6) Long-term Liabilities.

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

|                                     | Balance<br>7-1-2005 | Additions | Reductions     | Adjustments | Balance<br>6-30-2006 | Amounts due<br>within one<br>year |
|-------------------------------------|---------------------|-----------|----------------|-------------|----------------------|-----------------------------------|
| A. Limited obligation bonds payable | \$ 2,135,000        |           | 110,000        |             | 2,025,000            | 115,000                           |
| B. Obligations under capital leases | 9,649               |           | 9,649          |             | 0                    |                                   |
| C. Other loans payable              | 41,017              |           | 10,255         |             | 30,762               | 10,255                            |
| D. Compensated absences payable     | <u>39,268</u>       |           | <u>1,193</u>   |             | <u>38,075</u>        | <u>1,904</u>                      |
| Total                               | <u>\$ 2,224,934</u> | <u>0</u>  | <u>131,097</u> | <u>0</u>    | <u>2,093,837</u>     | <u>127,159</u>                    |

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:

| <u>Description</u>                       | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|--|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| 1998 State aid capital improvement bonds | var.                     | 04/1/98               | 02/1/18                  | \$2,595,000              | \$2,025,000                   |

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

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|---------------------------------|------------------|-----------------|----------------|
| 2007                            | \$ 115,000       | \$ 93,775       | \$ 208,775     |
| 2008                            | 120,000          | 88,605          | 208,605        |
| 2009                            | 130,000          | 83,040          | 213,040        |
| 2010                            | 135,000          | 77,010          | 212,010        |
| 2011                            | 140,000          | 70,615          | 210,615        |
| 2012-2016                       | 805,000          | 280,835         | 1,085,835      |
| 2017-2018                       | <u>580,000</u>   | <u>71,295</u>   | <u>651,295</u> |
| Total                           | \$2,025,000      | \$765,175       | \$2,790,175    |

**West Bolivar School District**

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

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

**B. Obligations under Capital Leases.**

This debt was paid out during the year and retired from the district maintenance fund.

**C. Other Loans Payable.**

The school district has issued other debt instruments.

Debt currently outstanding is as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|--------------------|----------------------|-------------------|----------------------|----------------------|---------------------------|
| Asbestos Loan      | 0.00                 | 10-18-01          | 03-18-05             | \$ 88,063            | 30,762                    |
| Total              |                      |                   |                      | <u>\$ 88,063</u>     | <u>30,762</u>             |

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

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Total</u>  |
|-----------------------------|------------------|---------------|
| 2007                        | \$10,255         | \$10,255      |
| 2008                        | 10,255           | 10,255        |
| 2009                        | <u>10,252</u>    | <u>10,252</u> |
| Total                       | \$30,762         | \$30,762      |

This debt will be retired from the District Maintenance Fund.

**D. Compensated Absences.**

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

**(7) Defined Benefit Pension Plan.**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension

## West Bolivar School District

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

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 rate for fiscal year ending June 30, 2006 was 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 \$540,334, \$460,255, and \$439,466, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

| Year Ending |    | Amount  |
|-------------|----|---------|
| June 30     |    |         |
| 2007        | \$ | 155,387 |
| 2008        |    | 125,001 |
| 2009        |    | 96,951  |
| 2010        |    | 63,639  |
| 2011        |    | 46,633  |
| 2012 - 2016 |    | 52,016  |
| 2017 - 2021 |    | 47,312  |
| 2022 - 2026 |    | 28,457  |
| 2027 - 2031 |    | 26,712  |
| 2032 - 2036 |    | 13,602  |
| 2037 - 2041 |    | 9,956   |
| 2042 - 2046 |    | 1,869   |

## West Bolivar School District

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

Total                      \$ 667,535

(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 Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson, Mississippi. 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.

REQUIRED SUPPLEMENTARY INFORMATION

**WEST BOLIVAR SCHOOL DISTRICT**

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2006

|  | Budgeted Amounts  |                  | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|-------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Original          | Final            |                        | Original<br>to Final             | Final<br>to Actual |
|  |                   |                  |                        |                                  |                    |
| <b>Revenues:</b>                                     |                   |                  |                        |                                  |                    |
| Local sources  | \$ 1,034,927      | 1,086,940        | 1,090,243              | 52,013                           | 3,303              |
| State sources  | 5,030,915         | 4,753,329        | 4,753,328              | (277,586)                        | (1)                |
| Federal sources                                      | 30,000            | 28,944           | 28,945                 | (1,056)                          | 1                  |
| Total Revenues                                       | <u>6,095,842</u>  | <u>5,869,213</u> | <u>5,872,516</u>       | <u>(226,629)</u>                 | <u>3,303</u>       |
| <b>Expenditures:</b>                                 |                   |                  |                        |                                  |                    |
| Instruction  | 3,713,850         | 3,685,092        | 3,685,091              | 28,758                           | 1                  |
| Support services                                     | 2,223,384         | 2,043,537        | 2,043,536              | 179,847                          | 1                  |
| Noninstructional services                            | 17,363            | 15,500           | 15,500                 | 1,863                            | 0                  |
| Facilities acquisition and construction              | 2,467             |                  |                        | 2,467                            | 0                  |
| Debt Service   |                   |                  |                        |                                  |                    |
| Principal  | 20,698            | 19,903           | 19,904                 | 795                              | (1)                |
| Interest   | 0                 | 790              | 790                    | (790)                            | 0                  |
| Total Expenditures                                   | <u>5,977,762</u>  | <u>5,764,822</u> | <u>5,764,821</u>       | <u>212,940</u>                   | <u>1</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>118,080</u>    | <u>104,391</u>   | <u>107,695</u>         | <u>(13,689)</u>                  | <u>3,304</u>       |
| <b>Other Financing Sources (Uses):</b>               |                   |                  |                        |                                  |                    |
| Insurance Loss Recoveries                            | 2,500             | 0                | 0                      | (2,500)                          | 0                  |
| Operating Transfers In                               | 394,456           | 418,664          | 418,663                | 24,208                           | (1)                |
| Operating Transfers Out                              | (371,045)         | (477,240)        | (477,240)              | (106,195)                        | 0                  |
| Other Financing Uses                                 | (725)             |                  |                        | 725                              | 0                  |
| Total Other Financing Sources (Uses)                 | <u>25,186</u>     | <u>(58,576)</u>  | <u>(58,577)</u>        | <u>(83,762)</u>                  | <u>(1)</u>         |
| Net Change in Fund Balances                          | <u>143,266</u>    | <u>45,815</u>    | <u>49,118</u>          | <u>(97,451)</u>                  | <u>(3,303)</u>     |
| <b>Fund Balances:</b>                                |                   |                  |                        |                                  |                    |
| July 1, 2005   |                   |                  | 200,167                | 0                                | 200,167            |
| Prior period adjustments (Note )                     | 0                 | 0                |                        |                                  | 0                  |
| July 1, 2005, as restated                            | <u>0</u>          | <u>0</u>         | <u>200,167</u>         | <u>0</u>                         | <u>200,167</u>     |
| June 30, 2006  | <u>\$ 143,266</u> | <u>45,815</u>    | <u>249,285</u>         | <u>(97,451)</u>                  | <u>203,470</u>     |

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

**WEST BOLIVAR SCHOOL DISTRICT**

Exhibit 2

Budgetary Comparison Schedule  
 School Food Service Fund  
 For the Year Ended June 30, 2006

|  | Budgeted Amounts    |                | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|---------------------|----------------|------------------------|----------------------------------|--------------------|
|  | Original            | Final          |                        | Original<br>to Final             | Final<br>to Actual |
| <b>Revenues:</b>                                     |                     |                |                        |                                  |                    |
| Local sources  | \$ 41,358           | 42,613         | 42,613                 | 1,255                            | 0                  |
| State sources  | 3,500               | 3,277          | 3,277                  | (223)                            | 0                  |
| Federal sources                                      | 458,000             | 552,983        | 589,671                | 94,983                           | 36,688             |
| Total Revenues                                       | <u>502,858</u>      | <u>598,873</u> | <u>635,561</u>         | <u>96,015</u>                    | <u>36,688</u>      |
| <b>Expenditures:</b>                                 |                     |                |                        |                                  |                    |
| Support services                                     | 97,748              | 97,827         | 97,827                 | (79)                             | 0                  |
| Noninstructional services                            | 504,304             | 458,303        | 494,991                | 46,001                           | (36,688)           |
| Facilities acquisition and construction              | 0                   | 0              | 0                      | 0                                | 0                  |
| Debt Service   |                     |                |                        |                                  |                    |
| Principal  | 0                   | 0              | 0                      | 0                                | 0                  |
| Interest   | 0                   | 0              | 0                      | 0                                | 0                  |
| Total Expenditures                                   | <u>602,052</u>      | <u>556,130</u> | <u>592,818</u>         | <u>45,922</u>                    | <u>(36,688)</u>    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>(99,194)</u>     | <u>42,743</u>  | <u>42,743</u>          | <u>(141,937)</u>                 | <u>0</u>           |
| <b>Other Financing Sources (Uses):</b>               |                     |                |                        |                                  |                    |
| Operating Transfers In                               | 0                   | 0              | 0                      | 0                                | 0                  |
| Operating Transfers Out                              | (10,000)            | 0              | 0                      | 10,000                           | 0                  |
| Total Other Financing Sources (Uses)                 | <u>(10,000)</u>     | <u>0</u>       | <u>0</u>               | <u>10,000</u>                    | <u>0</u>           |
| Net Change in Fund Balances                          | <u>(109,194)</u>    | <u>42,743</u>  | <u>42,743</u>          | <u>(151,937)</u>                 | <u>0</u>           |
| <b>Fund Balances:</b>                                |                     |                |                        |                                  |                    |
| July 1, 2005   |                     |                | 276,475                | 0                                | 276,475            |
| Prior period adjustments (Note )                     |                     |                |                        |                                  |                    |
| July 1, 2005, as restated                            | <u>0</u>            | <u>0</u>       | <u>276,475</u>         | <u>0</u>                         | <u>276,475</u>     |
| Increase (Decrease) in reserve for inventory         | <u>0</u>            | <u>0</u>       | <u>753</u>             | <u>0</u>                         | <u>753</u>         |
| June 30, 2006  | <u>\$ (109,194)</u> | <u>42,743</u>  | <u>319,971</u>         | <u>151,937</u>                   | <u>277,228</u>     |

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

**WEST BOLIVAR SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Summer Food Service Fund  
 For the Year Ended June 30, 2006

Exhibit 3

|  | Budgeted Amounts |        | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|--------|------------------------|----------------------------------|--------------------|
|  | Original         | Final  |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |        |                        |                                  |                    |
| <b>Revenues:</b>                                     |                  |        |                        |                                  |                    |
| Local sources  | \$ 0             | 47     | 47                     | 47                               | 0                  |
| Federal sources                                      | 0                | 22,592 | 22,592                 | 22,592                           | 0                  |
| Total Revenues                                       | 0                | 22,639 | 22,639                 | 22,639                           | 0                  |
| <b>Expenditures:</b>                                 |                  |        |                        |                                  |                    |
| Instruction  | 0                | 0      | 0                      | 0                                | 0                  |
| Support services                                     | 0                | 0      | 0                      | 0                                | 0                  |
| Noninstructional services                            | 0                | 22,639 | 22,639                 | (22,639)                         | 0                  |
| Debt Service   |                  |        |                        |                                  |                    |
| Principal  | 0                | 0      | 0                      | 0                                | 0                  |
| Interest   | 0                | 0      | 0                      | 0                                | 0                  |
| Total Expenditures                                   | 0                | 22,639 | 22,639                 | (22,639)                         | 0                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 0                | 0      | 0                      | 0                                | 0                  |
| <b>Other Financing Sources (Uses):</b>               |                  |        |                        |                                  |                    |
| Operating Transfers In                               | 0                | 0      | 0                      | 0                                | 0                  |
| Operating Transfers Out                              | 0                | 0      | 0                      | 0                                | 0                  |
| Total Other Financing Sources (Uses)                 | 0                | 0      | 0                      | 0                                | 0                  |
| Net Change in Fund Balances                          | 0                | 0      | 0                      | 0                                | 0                  |
| <b>Fund Balances:</b>                                |                  |        |                        |                                  |                    |
| July 1, 2005   | 0                | 0      | 0                      | 0                                | 0                  |
| Prior period adjustments (Note )                     | 0                | 0      |                        |                                  |                    |
| July 1, 2005, as restated                            | 0                | 0      | 0                      | 0                                | 0                  |
| Increase (Decrease) in reserve for inventory         | 0                | 0      | 1,997                  | 0                                | 1,997              |
| June 30, 2006  | \$ 0             | 0      | 1,997                  | 0                                | 1,997              |

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

**WEST BOLIVAR SCHOOL DISTRICT**

Exhibit 4

Budgetary Comparison Schedule

Title 1 - B-3 Reading First FYE 2003

For the Year Ended June 30, 2006

|  | Budgeted Amounts |         | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|---------|------------------------|----------------------------------|--------------------|
|  | Original         | Final   |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |         |                        |                                  |                    |
| <b>Revenues:</b>                                     |                  |         |                        |                                  |                    |
| Federal sources                                      | \$ 100,000       | 180,798 | 180,797                | 80,798                           | (1)                |
| Total Revenues                                       | 100,000          | 180,798 | 180,797                | 80,798                           | (1)                |
| <b>Expenditures:</b>                                 |                  |         |                        |                                  |                    |
| Instruction  | 33,981           | 130,218 | 130,217                | (96,237)                         | 1                  |
| Support services                                     | 64,144           | 47,349  | 47,349                 | 16,795                           | 0                  |
| Noninstructional services                            | 0                | 385     | 385                    | (385)                            | 0                  |
| Debt Service   |                  |         |                        |                                  | 0                  |
| Principal  | 0                | 0       | 0                      | 0                                | 0                  |
| Interest   | 0                | 0       | 0                      | 0                                | 0                  |
| Total Expenditures                                   | 98,125           | 177,952 | 177,951                | (79,827)                         | 1                  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 1,875            | 2,846   | 2,846                  | 971                              | 0                  |
| <b>Other Financing Sources (Uses):</b>               |                  |         |                        |                                  |                    |
| Operating Transfers In                               | 0                | 414     | 414                    | 414                              | 0                  |
| Operating Transfers Out                              | (1,875)          | (3,260) | (3,260)                | (1,385)                          | 0                  |
| Total Other Financing Sources (Uses)                 | (1,875)          | (2,846) | (2,846)                | (971)                            | 0                  |
| Net Change in Fund Balances                          | 0                | 0       | 0                      | 0                                | 0                  |
| <b>Fund Balances:</b>                                |                  |         |                        |                                  |                    |
| July 1, 2005   | 0                | 0       | 0                      | 0                                | 0                  |
| Prior period adjustments (Note )                     | 0                | 0       |                        |                                  |                    |
| July 1, 2005, as restated                            | 0                | 0       | 0                      | 0                                | 0                  |
| Increase (Decrease) in reserve for inventory         | 0                | 0       | 0                      | 0                                | 0                  |
| June 30, 2006  | \$ 0             | 0       | 0                      | 0                                | 0                  |

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

**WEST BOLIVAR SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2006

Exhibit 5

|  | Budgeted Amounts    |                  | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|---------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Original            | Final            |                        | Original<br>to Final             | Final<br>to Actual |
|  |                     |                  |                        |                                  |                    |
| <b>Revenues:</b>   |                     |                  |                        |                                  |                    |
| Sixteenth section sources                                    | \$ 188,368          | 202,610          | 202,610                | 14,242                           | 0                  |
| Total Revenues   | <u>188,368</u>      | <u>202,610</u>   | <u>202,610</u>         | <u>14,242</u>                    | <u>0</u>           |
| <b>Expenditures:</b>   |                     |                  |                        |                                  |                    |
| Sixteenth Section  | 0                   | 23,982           | 23,983                 | (23,982)                         | (1)                |
| Total Expenditures   | <u>0</u>            | <u>23,982</u>    | <u>23,983</u>          | <u>(23,982)</u>                  | <u>(1)</u>         |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>188,368</u>      | <u>178,628</u>   | <u>178,627</u>         | <u>(9,740)</u>                   | <u>(1)</u>         |
| <b>Other Financing Sources (Uses):</b>                       |                     |                  |                        |                                  |                    |
| Operating transfers in                                       | 0                   | 0                | 0                      | 0                                | 0                  |
| Operating transfers out                                      | (320,000)           | (250,000)        | (250,000)              | 70,000                           | 0                  |
| Total Other Financing Sources (Uses)                         | <u>(320,000)</u>    | <u>(250,000)</u> | <u>(250,000)</u>       | <u>70,000</u>                    | <u>0</u>           |
| <b>Net Change in Fund Balances</b>                           | <u>(131,632)</u>    | <u>(71,372)</u>  | <u>(71,373)</u>        | <u>60,260</u>                    | <u>(1)</u>         |
| <b>Fund Balances:</b>  |                     |                  |                        |                                  |                    |
| July 1, 2005   |                     |                  | 839,995                | 0                                | 839,995            |
| Prior period adjustments (Note )                             |                     |                  |                        |                                  |                    |
| July 1, 2005, as restated                                    | <u>0</u>            | <u>0</u>         | <u>839,995</u>         | <u>0</u>                         | <u>839,995</u>     |
| June 30, 2006  | <u>\$ (131,632)</u> | <u>(71,372)</u>  | <u>768,622</u>         | <u>60,260</u>                    | <u>839,994</u>     |

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

NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION

## **West Bolivar School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2006

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

**West Bolivar School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**Schedule 1**

| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM TITLE   | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Federal<br><u>Expenditures</u> |
|--|---|--------------------------------|
| U. S. DEPARTMENT OF AGRICULTURE/<br>Passed-through the Mississippi Department of Education:        |   |                                |
| Non-cash assistance:   |   |                                |
| Food Donation  | 10.550  | \$36,688                       |
| Child Nutrition Cluster:   |   |                                |
| School Breakfast Program   | 10.553  | 171,402                        |
| National School Lunch Program  | 10.555  | 381,581                        |
| Summer Food Service Program  | 10.559  | 22,592                         |
| Total child nutrition cluster  |   | <u>575,575</u>                 |
| Total passed-through the MDE   |   | <u>612,263</u>                 |
| TOTAL U. S. DEPARTMENT OF AGRICULTURE  |   | <u>612,263</u>                 |
| FEDERAL COMMUNICATION COMMISSION<br>Administered through Universal Service Administrative Company: |   |                                |
| The school and libraries program of the Universal Service Fund                                     | 32.xxx  | 26,591                         |
| Total Federal Communication Commission   |   | <u>26,591</u>                  |
| U. S. DEPARTMENT OF EDUCATION/<br>Passed-through the Mississippi Department of Education:          |   |                                |
| Title I Grants to Local Educational Agencies   | 84.010  | 721,903                        |
| Vocational Education - Basic Grant to States   | 84.048  | 29,839                         |
| Safe and Drug Free Schools and Communities - State Grants  | 84.186  | 13,095                         |
| Fund for the Improvement of Education  | 84.215  | 173,316                        |
| State Grants for Innovative Programs   | 84.298  | 3,859                          |
| Education Technology State Grants  | 84.318  | 22,971                         |
| Reading First State Grants   | 84.357  | 180,798                        |
| Rural Education  | 84.358  | 25,072                         |
| Improving Teacher Quality-State Grants   | 84.367  | 125,204                        |
| Hurricane Education Recovery   | 84.938  | 32,188                         |
| Total  |   | <u>1,328,245</u>               |
| Special Education Cluster:   |   |                                |
| Special Education - Grants to States   | 84.027  | 174,342                        |
| Special Education - Preschool Grants   | 84.173  | 6,117                          |
| Total special education cluster  |   | <u>180,459</u>                 |
| Total passed-through the MDE   |   | <u>1,508,704</u>               |
| TOTAL U. S. DEPARTMENT OF EDUCATION  |   | <u>1,508,704</u>               |
| TOTAL FOR ALL FEDERAL AWARDS   |   | <u><u>\$2,147,558</u></u>      |

Notes to Schedule

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

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

| Expenditures                 | Total               | Instruction and Other Instructional | General Administration | School Administration | Other            |
|------------------------------|---------------------|-------------------------------------|------------------------|-----------------------|------------------|
| Salaries and fringe benefits | \$ 6,596,690        | 5,197,836                           | 304,573                | 513,788               | 580,493          |
| Other                        | 2,467,105           | 902,248                             | 35,441                 | 5,246                 | 1,524,170        |
| <b>Total</b>                 | <b>\$ 9,063,795</b> | <b>6,100,084</b>                    | <b>340,014</b>         | <b>519,034</b>        | <b>2,104,663</b> |

Total number of students \* 1,056

Cost per student \$ 8,583 5,777 322 492 1,993

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)  
 General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)  
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)  
 Other - includes all expenditure functions not included in Instruction or Administration categories  
 includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
West Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Bolivar School District as of and for the year ended June 30, 2005, and have issued my report thereon dated November 17, 2006. 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.

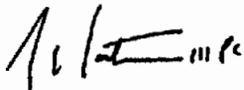
Internal Control Over Financial Reporting

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 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 noted no matters involving the 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 grants, 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 school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



J.E. Fortenberry, III, PC  
November 17, 2006

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
West Bolivar School District

Compliance

I have audited the compliance of the West Bolivar School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract 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 and 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 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, the West Bolivar 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 West Bolivar School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing 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, regulation, 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 did not note any 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 school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



J.E. Fortenberry, III, PC  
November 17, 2006

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
West Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Bolivar School District as of and for the year ended June 30, 2006, which collectively comprise West Bolivar School District's basic financial statements and have issued my report thereon dated November 17, 2006. 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 all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$16,280.85 of classroom supply funds carried over from previous years.

The results of those procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

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



J.E. Fortenberry, III, PC  
November 17, 2006

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

**West Bolivar 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 financial statements: Unqualified.
2. Material noncompliance relating to the 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? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA # 10.553  
CFDA # 10.555  
CFDA # 10.559
  - b. Title I  
CFDA # 84.010
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 cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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