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WILKINSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006

Presented by:
Dribben & Associates, Ltd.
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411

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WILKINSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

January 18, 2007

Superintendent and School Board
Wilkinson County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2007, on our consideration of the Wilkinson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Al Dribben, CPA
P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 Toll Free

The Management's Discussion and Analysis on pages 9 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,

Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WILKINSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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WILKINSON COUNTY SCHOOL DISTRICT
Mildred E. McGhee, Superintendent of Education
POST OFFICE BOX 785
WOODVILLE, MS 39669
601-888-3582

Management's Discussion and Analysis
For the Year Ended June 30, 2006

The discussion and analysis of the Wilkinson County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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, including the effect of prior period adjustments, increased $1,260,266, which represents a 16% percent increase from fiscal year 2005. This increase in net assets is primarily due to the following: 1) capital outlays of $1,438,916 during the fiscal year were not reported as expenses in the Statement of Activities but were capitalized on the Statement of Net Assets, and 2) repayment of debt principal in the amount of $135,000 was not reported as an expense in the Statement of Activities but as a reduction of long-term liabilities on the Statement of Net Assets, 3) the receipt of approximately $880,000 in federal funds under the Displaced Student Grant which resulted from Hurricane Katrina, and 4) sixteenth section revenue generated during the fiscal year primarily from sixteenth section leases, the sale of timber and earnings on investments.

- General revenues accounted for $8,927,192 in revenue, or 68% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,188,683, or 32% of total revenues.

- The District had $11,855,615 in expenses; only $4,188,683 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of $8,927,192 were adequate to provide for these programs.

- Among major funds, the General Fund had $8,138,331 in revenues and $7,146,431 in expenditures. After net other financing uses of $478,302, the net change in fund balance for the General Fund was an increase of $513,598 from the previous year. This increase is due primarily to the receipt of approximately $880,000 in federal funds under the Displaced Student Grant which resulted from Hurricane Katrina. Salary related expenditures normally incurred in the General Fund were reported in the Displaced Student Grant Funds and federal sources were received to cover those expenditures.

- Capital assets, net of accumulated depreciation, increased by $1,141,272 due primarily to the renovation and construction of school facilities.

- Long-term debt increased by $362,963. During the fiscal year, the district made principal payments on existing long-term debt in the amount of $135,000. The District also obtained a three mill note payable in the amount of $500,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by $9,087,543 as of June 30, 2006.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. $3,132,192 of the District's net assets (34%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. $5,337,166 of the District's net assets (59%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. $618,185 of the District's net assets (7%) reflects its unrestricted net assets.

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

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

	June 30, 2006	June 30, 2005	Percentage Change
Current assets	$ 5,418,527	5,113,436	6.0%
Other assets	1,385,110	1,194,318	16.0%
Capital assets, net	6,673,157	5,531,885	20.6%
Total assets	13,476,794	11,839,639	13.8%
Current liabilities	44,517	30,591	45.5%
Long-term debt outstanding	4,344,734	3,981,771	9.1%
Total liabilities	4,389,251	4,012,362	9.4%
Net assets:			
Invested in capital assets, net of related debt	3,132,192	3,162,240	-1.0%
Restricted	5,337,166	4,562,487	17.0%
Unrestricted	618,185	102,550	502.8%
Total net assets	$ 9,087,543	7,827,277	16.1%

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

- Capital assets increased from the previous year due primarily to the renovation and construction of school facilities.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities and debt service.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in fund balance of the General Fund.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were $13,115,875. The total cost of all programs and services was $11,855,615. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	June 30, 2006	June 30, 2005	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 243,778	$ 283,710	-14.1%
Operating grants and contributions	3,944,905	3,081,325	28.0%
General revenues:			
Property taxes	1,719,518	1,586,237	8.4%
Grants and contributions not restricted	6,596,272	5,714,893	15.4%
Other	611,402	675,887	-9.5%
Total revenues	13,115,875	11,342,052	15.6%
Expenses:			
Instruction	6,107,234	5,994,165	1.9%
Support services	4,708,373	4,175,518	12.8%
Non-instructional	889,441	948,860	-6.3%
Sixteenth section	8,313	32,653	-74.5%
Interest and other expenses on long-term liabilities	142,254	180,990	-21.4%
Total expenses	11,855,615	11,332,186	4.6%
Increase in net assets	$ 1,260,260	9,866	
Net Assets, July 1	7,827,277	7,824,605	
Prior Period Adjustments	6	(7,194)	
Net Assets, Restated, July 1	7,827,283	7,817,411	
Net Assets, June 30	$ 9,087,543	$ 7,827,277	16.1%

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions. As a result of Hurricane Katrina, the District received approximately $880,000 in Displaced Student Grant funds.

- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in Mississippi Adequate Education Program (MAEP) funds.

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

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	$ 6,107,234	(4,113,497)	$ 5,994,165	(4,441,347)
Support services	4,708,373	(3,342,877)	4,175,518	(3,242,433)
Non-instructional	889,441	(101,195)	948,860	(124,153)
Sixteenth section	8,313	32,891	32,653	21,772
Interest and other expenses on long-term liabilities	142,254	(142,254)	180,990	(180,990)
Total expenses	$ 11,855,615	(7,666,932)	$ 11,332,186	(7,967,151)

- The net cost of governmental activities for fiscal year 2006 in the amount of $7,666,932 was financed by general revenue, which is made up of primarily property taxes of $1,719,518 and state revenue of $6,384,693.

- Investment earnings accounted for $119,998 of funding.

- Sixteenth section sources of $475,680 were generated during the fiscal year primarily from sixteenth section leases and the sale of timber.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2006, its governmental funds reported a combined fund balance of $6,791,201. The net change in fund balance for the fiscal year was an increase of $493,258 due primarily to the receipt of federal funds under the Displaced Student Grant which resulted from Hurricane Katrina and sixteenth section sources generated during the fiscal year. $4,035,624, or 59%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of $2,755,577, or 41%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for advances, inventory, prepaid items, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of $513,598 due primarily to the receipt of federal funds under the Displaced Student Grant which resulted from Hurricane Katrina. The net change in fund balance for the 16th Section Interest Fund for the fiscal year was an increase of $539,802 due to revenue generated primarily from sixteenth section leases, the sale of timber and earnings on sixteenth section investments. The net change in fund balance for the 16th Section Principal Fund for the fiscal year was an increase of $15,240. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of $575,382 due primarily to the decrease in fund balance of various Capital Project Funds resulting from expenditures incurred during the fiscal year for the renovation and construction of school facilities.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for instruction and support services expenditures in the General Fund were decreased during the fiscal year. The District received federal funds under the Displaced Student Grant resulting from Hurricane Katrina. The District was allowed to reclassify a portion of instruction and support services expenditures from the General Fund to the Displaced Student Grant Fund in order to reimburse the District for salary related expenditures incurred. Therefore, budgeted amounts in the General Fund were decreased to reflect the reclassification of these expenditures.

- Budgeted amounts for transfers into the General Fund were decreased during the fiscal year due primarily to a decrease in funds transferred from the 16th Section Interest Fund to cover operational costs as compared to amounts originally budgeted.

- Budgeted amounts for revenue from federal sources and instruction and support services expenditures in the Displaced Student Grant Fund were increased during the fiscal year. Revenue and expenditures related to this grant were a result of Hurricane Katrina and were not included in the original budget.

- Budgeted amounts for transfers out of the 16th Section Interest Fund were decreased during the fiscal year due primarily to a decrease in funds transferred to the General Fund as compared to amounts originally budgeted.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets, before depreciation, were $10,852,522, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a net increase of $1,141,272 from the previous year due primarily to the renovation and construction of school facilities. Total depreciation expense for the year was $297,512. Total accumulated depreciation as of June 30, 2006 was $4,179,365, resulting in total net assets of $6,673,157.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	$ 113,365	113,365	0.0%
Construction in progress	1,324,742	29,488	4392.5%
Buildings	3,141,939	3,227,492	-2.7%
Building improvements	1,355,295	1,422,076	-4.7%
Improvements other than buildings	151,921	162,640	-6.6%
Mobile equipment	384,902	376,723	2.2%
Furniture and equipment	200,993	200,101	0.4%
Total	$ 6,673,157	5,531,885	20.6%

Debt Administration. At June 30, 2006, the District had $4,344,734 in limited obligation bonds and other long-term debt outstanding, of which $356,112 is due within one year. During the fiscal year, the District made principal payments in the amount of $135,000 on existing long-term debt. The District also obtained a three mill note payable in the amount of $500,000.

	Outstanding Debt		Percentage
	2006	2005	Change
Limited obligation bonds payable	2,275,000	2,410,000	-5.6%
Three mill notes payable	500,000	-	100.0%
Qualified zone academy bonds payable	1,500,000	1,500,000	0.0%
Compensated absences payable	69,734	71,771	-2.8%
	4,344,734	3,981,771	9.1%

CURRENT ISSUES

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

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

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly over the past several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Wilkinson County School District, P. O. Box 785, Woodville, MS 39669.

WILKINSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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

Exhibit A

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	$ 4,543,212
Due from other governments	856,131
Inventories and prepaid items	19,184
Restricted assets	1,385,110
Capital Assets, not being depreciated:	
Land	113,365
Construction in progress	1,324,742
Capital Assets, net of accumulated depreciation:	
Buildings	3,141,939
Building improvements	1,355,295
Improvements other than buildings	151,921
Mobile equipment	384,902
Furniture and equipments	200,993
Total Assets	13,476,794
Liabilities	
Accounts payable and accrued liabilities	12,436
Interest payable on long-term liabilities	32,081
Long-term liabilities (Due within 1 year)	
Capital related liabilities	354,020
Non-capital related liabilities	2,092
Long-term liabilities (Due beyond 1 year)	
Capital related liabilities	3,920,980
Non-capital related liabilities	67,642
Total Liabilities	4,389,251
Net Assets	
Investment in capital assets (net of related debt)	3,132,192
Restricted net assets for:	
Expendable:	
School-based activities	3,366,889
Debt service	351,607
Forestry improvements	80,239
Unemployment benefits	28,210
Non-expendable:	
Sixteenth section	1,510,221
Unrestricted	618,185
Total Net assets	$ 9,087,543

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Primary Government:				
Governmental Activities				
Instruction	$ 6,107,234	128,762	1,864,975	(4,113,497)
Support services	4,708,373	-	1,365,496	(3,342,877)
Non-instructional	889,441	73,812	714,434	(101,195)
Sixteenth section	8,313	41,204	-	32,891
Interest and other expenses on long-term liabilities	142,254	-	-	(142,254)
Total governmental activities	$ 11,855,615	243,778	3,944,905	(7,666,932)
General revenue:				
Taxes				
General purpose levies				1,582,850
Debt service levies				136,668
Unrestricted grant and contributions:				
State				6,384,693
Federal				211,579
Unrestricted investment earnings:				119,998
Sixteenth section				475,680
Other				15,724
Total General Revenues				8,927,192
Changes in net assets				1,260,260
Net assets - beginning				7,827,277
Prior Period Adjustments				6
Net assets - restated				7,827,283
Net Assets - Ending				$ 9,087,543

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

Wilkinson County School District
Balance Sheet - Governmental Funds
For the Year Ended June 30, 2006

Exhibit C

	Major Funds					
	General Fund	Displaced Students Grant Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 265,602	-	3,085,078	1,218,638	1,192,532	5,761,850
Cash with fiscal agents	-	-	-	-	166,472	166,472
Due from other governments	149,322	418,000	14,167	12,833	261,809	856,131
Due from other funds	552,689	-	-	-	-	552,689
Advances to other funds	-	-	-	278,750	-	278,750
Inventories and prepaid items	10,985	-	-	-	8,199	19,184
	978,598	418,000	3,099,245	1,510,221	1,629,012	7,635,076
Liabilities & Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	11,929	-	-	-	507	12,436
Due to other funds	-	418,000	-	-	134,689	552,689
Advances from other funds	278,750	-	-	-	-	278,750
Total liabilities	290,679	418,000	-	-	135,196	843,875
Fund balances:						
Reserved for:						
Advances	-	-	-	278,750	-	278,750
Inventory	-	-	-	-	8,199	8,199
Prepaid items	10,985	-	-	-	-	10,985
Unemployment benefits	-	-	-	-	28,210	28,210
Forestry improvements	-	-	-	-	80,239	80,239
Capital projects funds	-	-	-	-	734,035	734,035
Debt service purposes	-	-	-	-	383,688	383,688
Permanent fund purposes	-	-	-	1,231,471	-	1,231,471
Unreserved:						
Undesignated, reported in:						
General fund	676,934	-	-	-	-	676,934
Special revenue funds	-	-	3,099,245	-	259,445	3,358,690
Total fund balances	687,919	-	3,099,245	1,510,221	1,493,816	6,791,201
Total liabilities & fund balances	$ 978,598	418,000	3,099,245	1,510,221	1,629,012	7,635,076

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

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

Exhibit C-1

	Amount
Total Fund Balance - Governmental Funds	$ 6,791,201
Amounts reported for net assets in the Statement of Net Assets are different because:	
1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of $4,179,365.	6,673,157
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds:	(4,344,734)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(32,081)
Total Net Assets - Governmental Activities	$ 9,087,543

Wilkinson County School District

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds

For the Year Ended June 30, 2006

	Major Funds					
	General Fund	Displaced Students Grant Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	$ 1,735,223	-	-	-	233,898	1,969,121
State sources	6,193,850	-	-	-	634,538	6,828,388
Federal sources	209,258	822,250	-	-	2,681,279	3,712,787
Sixteenth section sources	-	-	508,897	54,484	41,298	604,679
Total revenues	8,138,331	822,250	508,897	54,484	3,591,013	13,114,975
Expenditures:						
Instruction	3,930,192	697,771	-	-	1,362,695	5,990,658
Support services	3,123,117	124,479	-	-	1,465,486	4,713,082
Non-instructional services	78,922	-	-	-	772,144	851,066
Sixteenth section	-	-	1,207	-	7,106	8,313
Facilities acquisition and construction	-	-	-	-	1,289,131	1,289,131
Debt Service:						
Principal	-	-	-	-	135,000	135,000
Interest	14,200	-	-	-	115,044	129,244
Total expenditures	7,146,431	822,250	1,207	-	5,146,606	13,116,494
Excess (deficiency) of revenues over expenditures	991,900	-	507,690	54,484	(1,555,593)	(1,519)
Other Financing Sources (Uses):						
Proceeds from loans	-	-	-	-	500,000	500,000
Sale of other property	900	-	-	-	-	900
Transfers in	997,485	-	39,244	-	648,095	1,684,824
Payments held by escrow agent	-	-	-	-	95,000	95,000
Transfers out	(1,476,687)	-	(7,132)	(39,244)	(161,761)	(1,684,824)
Payments to QZAB debt escrow agent	-	-	-	-	(95,000)	(95,000)
Other financing uses	-	-	-	-	(6,123)	(6,123)
Total Other Financing Sources (uses)	(478,302)	-	32,112	(39,244)	980,211	494,777
Net Change in Fund Balances	513,598	-	539,802	15,240	(575,382)	493,258
Fund balances:						
July 1, 2005	174,321	-	2,559,443	1,494,981	2,067,489	6,296,234
Increase (decrease) in reserve for inventory					1,709	1,709
June 30, 2006	$ 687,919	$ -	$ 3,099,245	$ 1,510,221	$ 1,493,816	$ 6,791,201

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

Wilkinson County 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

Exhibit D-1

	Amount
Net change in fund balances	$ 493,258
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, cost associated with capital assets are capitalized in the Statement of Net Assets.	1,438,916
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(297,512)
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items.	
Losses on the sale of capital assets.	(138)
4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increased long-term liabilities in the Statement of Net Assets.	(500,000)
5. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	135,000
6. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items.	
Compensated absences increases	2,037
Accrued interest on debt decreases	(13,010)
7. An increase (decrease) in the reserve for inventory is reported as a direct increase (decrease) to the fund balance in the governmental funds but is a increase (decrease) in noninstructional service expenses in the Statement of Activities.	1709
Change in net assets of governmental activities.	$ 1,260,260

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

Wilkinson County School District
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	$ 463,590
Total Assets	463,590
Liabilities	
Accounts payable and accrued liabilities	433,620
Due to student clubs	29,970
Total Liabilities	$ 463,590

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are Fiduciary Funds 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 flows take place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

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

Displaced Students Fund - This is a Special Revenue Fund. 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.

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands 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.

Sixteenth Section Interest Fund - This is a Special Revenue Fund. 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.

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

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 expenditures purposes.

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

Prepaid items, such as prepaid insurance, are reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

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

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.* The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.

2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

Reserved for unemployment benefits – An account that represents the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements – An account that represents the fund balance of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service – An account that represents that portion of fund balance in the debt service fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for permanent fund purposes – An account that represents the portion of the fund balance of the sixteenth section principal fund which is legally restricted for investment purposes.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the School District has implemented Governmental 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 included physical damage, changes in legal or environmental factors technology 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 Cash with Fiscal Agents.

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 statues 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 Treasury to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States

instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the 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 any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Amounts less than $100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $5,761,850 and $463,590, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents $4,543,212 and Restricted Assets $1,385,110. The Restricted assets represents the cash balance of the 16th section Principal funds (Permanent Funds)which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was $6,530,863.

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. 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 $6,530,863 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was $166,472.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due To	Due From
Governmental Funds:		
General fund	$ 552,689	-
Displaced students grant fund	-	418,000
Other governmental funds	-	134,689
Total Funds	$ 552,689	552,689

During the course of the school year, expenditures in federal program funds are paid on a reimbursement basis causing the district to borrow moneys from other funds to cover expenditures at year end and not create a deficit. The above interfund loans were made to cover year end expenditures.

B. Advances To/From Other Funds:

	Advances To	Advances From
Governmental Funds:		
General fund	$ -	278,750
Sixteenth section principal fund	278,750	-
Total Funds	$ 278,750	278,750

Sixteenth section principal loans payable.

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

Year Ending June 30	Amount
2007	$ 76,250
2008	31,250
2009	31,250
2010	21,250
2011	21,250
2012-2016	81,250
2017-2021	16,250
Total	$ 278,750

C. Transfers In/Out.

	Transfer In	Transfer Out
Governmental Funds:		
General fund	$ 997,485	1,476,687
Sixteenth section interest fund	39,244	7,132
Sixteenth section principal fund	-	39,244
Other governmental funds	648,095	161,761
Total Funds	$ 1,684,824	1,684,824

The above transfers were for the distribution of MAEP monies to various funds and the transfer of interest earnings in sixteenth section principal and interest funds.

(5) Capital Assets.

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

	Balance 07/01/05	Additions	Retirements	Adjustments	Balance 06/30/06
Non-depreciable capital assets:					
Land	$ 113,365	-	-	-	113,365
Construction in progress	29,488	1,295,254	-	-	1,324,742
Total non-depreciable capital assets	142,853	1,295,254	-	-	1,438,107
Depreciable capital assets:					
Buildings	5,042,359	-	-	-	5,042,359
Building improvement	1,763,025	-	-	-	1,763,025
Improvements other than buildings	267,971	-	-	-	267,971
Mobile equipment	1,436,445	59,500	-	-	1,495,945
Furniture and equipment	774,722	84,162	(13,779)	10	845,115
Total depreciable capital assets	9,284,522	143,662	(13,779)	10	9,414,415
Less accumulated depreciation for:					
Buildings	1,814,867	85,553	-	-	1,900,420
Building improvement	340,949	66,781	-	-	407,730
Improvements other than buildings	105,331	10,719	-	-	116,050
Mobile equipment	1,059,722	51,321	-	-	1,111,043
Furniture and equipment	574,621	83,138	(13,641)	4	644,122
Total accumulated depreciation	3,895,490	297,512	(13,641)	4	4,179,365
Total depreciable capital assets, net	5,389,032	(153,850)	(138)	6	5,235,050
Governmental activities capital assets, net	$ 5,531,885	1,141,404	(138)	6	6,673,157

Depreciation expense was charged to the following governmental functions:

		Amount
Instruction	$	184,781
Support Services		72,443
Non-instructional		40,288
Total depreciation expense	$	297,512

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

	Remaining Commitment	Required Future Financing
Wilkinson high and elementary renovations	$ 640,402	-
William Winans classroom addition	183,408	-
Total	$ 823,810	-

(6) Long-term liabilities.

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

	Balance 07/01/05	Additions	Reductions	Balance 06/30/06	Amounts due within one year
A. Limited obligation bonds payable	$ 2,410,000	-	135,000	2,275,000	145,000
B. Three mill notes payable	-	500,000	-	500,000	95,000
C. QZAB payable	1,500,000	-	-	1,500,000	114,020
D. Compensated absences payable	71,771	-	2,037	69,734	2,092
Total	$ 3,981,771	500,000	137,037	4,344,734	356,112

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation bond	4.4 - 6.25%	05/01/98	05/01/18	$ 2,990,000	2,275,000

Year Ending June 30	Principal	Interest	Total
2007	145,000	106,328	251,328
2008	150,000	97,628	247,628
2009	160,000	88,628	248,628
2010	170,000	81,588	251,588
2011	175,000	73,937	248,937
2012-2016	1,005,000	241,728	1,246,728
2017-2021	470,000	31,062	501,062
Total	$ 2,275,000	$ 720,899	2,995,899

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 Mississippi Adequate Education Program fund.

B. Three mill notes payable.

Debt currently outstanding is as follows.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable	3.54	9/22/2005	9/15/2012	500,000	500,000

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

Year Ending June 30	Principal	Interest	Total
2007	95,000	24,524	119,524
2008	80,000	12,921	92,921
2009	60,000	10,443	70,443
2010	60,000	8,319	68,319
2011	65,000	6,107	71,107
2012-2016	140,000	5,133	145,133
Total	$ 500,000	$ 67,447	567,447

This debt will be retired from the debt service fund.

C. Qualified zone academy bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds payable (2004)	0%	12/16/2004	12/16/2015	$ 1,000,000	1,000,000
Qualified zone academy bonds payable (2005)	0%	6/3/2005	6/3/2014	500,000	500,000
Total				$ 1,500,000	1,500,000

This debt will be retired from the debt service fund.

D. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were $713,630, $634,152 and $617,514, 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 there from as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2007	$ 198,054
2008	198,054
2009	775
2010	675
2011	675
2012-2016	1,275
2017-2021	-
Total	$ 399,508

(9) Prior Period Adjustments/Exhibits.

A summary of fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Exh. B Explanation	Amount
To adjust for prior year errors in recording capital assets	$ 6

(10) Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers; compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member or MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to $500,000. For a claim exceeding $500,000, MPEWCT has insurance which will pay the excess up to $1,000,000. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34)provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated December 16, 2004 for the $1,000,000 QZAB bond and June 3, 2005 for the $500,000 QZAB bond.

This agreement establishes a method or repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds into a sinking fund account on or before December 14, 2005 for $1,000,000 QZAB bond and June 3, 2005 for the $500,000 QZAB bond. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal	Total
2007	$ 114,020	114,020
2008	136,020	136,020
2009	137,020	137,020
2010	136,020	136,020
2011	137,020	137,020
2012-2016	415,930	415,930
Total	$ 1,076,030	1,076,030

WILKINSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule 1-A

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 1,785,985	1,735,053	1,735,223	(50,932)	170
State sources	6,189,406	6,193,850	6,193,850	4,444	-
Federal sources	187,000	209,258	209,258	22,258	-
Total revenues	8,162,391	8,138,161	8,138,331	(24,230)	170
Expenditures:					
Instruction	5,547,859	3,930,202	3,930,192	1,617,657	10
Support services	3,287,574	3,123,084	3,123,117	164,490	(33)
Noninstructional services	73,011	78,922	78,922	(5,911)	-
Debt Service:					
Principal	76,250	76,250	-	-	76,250
Interest	14,200	14,200	14,200	-	-
Total expenditures	8,998,894	7,222,658	7,146,431	1,776,236	76,227
Excess (deficiency) of revenues over expenditures	(836,503)	915,503	991,900	1,752,006	76,397
Other Financing Sources (Uses):					
Sale of other property	-	900	900	900	-
Transfers in	2,660,490	997,655	997,485	(1,662,835)	(170)
Transfers out	(1,842,709)	(1,476,687)	(1,476,687)	366,022	-
Total other financing sources and uses	817,781	(478,132)	(478,302)	(1,295,913)	(170)
Net change in fund balances	(18,722)	437,371	513,598	456,093	76,227
Fund balances:					
July 1, 2005			174,321		
June 30, 2006			$ 687,919		

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

Wilkinson County School District
Budgetary Comparison Schedule
Displaced Student Fund
For the Year Ended June 30, 2006

Schedule 1-B

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ -	822,250	822,250	(822,250)	-
Total revenues	-	822,250	822,250	822,250	-
Expenditures:					
Instruction	-	697,771	697,771	(697,771)	-
Support services	-	124,479	124,479	(124,479)	-
Total expenditures	-	822,250	822,250	(822,250)	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Transfers in					-
Transfers out					
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005					
June 30, 2006			$ -		

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

Wilkinson County School District
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2006

Schedule 1-C

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 569,469	508,897	508,897	60,572	-
Total revenues	569,469	508,897	508,897	(60,572)	-
Expenditures:					
Sixteenth section	700	1,207	1,207	(507)	-
Total expenditures	700	1,207	1,207	(507)	-
Excess (deficiency) of revenues over expenditures	568,769	507,690	507,690	(61,079)	-
Other Financing Sources (Uses):					
Transfers in	30,700	39,244	39,244	8,544	-
Transfers out	(1,307,639)	(7,132)	(7,132)	1,300,507	-
Total other financing sources and uses	(1,276,939)	32,112	32,112	1,309,051	-
Net change in fund balances	(708,170)	539,802	539,802	1,247,972	-
Fund balances:					
July 1, 2005			2,559,443		
June 30, 2006			$ 3,099,245		

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

WILKINSON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

WILKINSON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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WILKINSON COUNTY SCHOOL DISTRICT
Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2006

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. Department of Agriculture		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	$ 50,101
Child nutrition cluster:		
School breakfast program	10.553	203,700
National school lunch program	10.555	508,126
Total child nutrition cluster		711,826
Total U. S. Department of Agriculture		761,927
U. S. Department of Defense:		
Direct program:		
Reserve officers' training corps	12.XXX	21,351
Total Other Federal Assistance		21,351
Federal Communications Commission:		
Administered through the Universal Service Administration Company		
The schools and libraries program of the universal service fund	32.XXX	74,999
Total Other Federal Assistance		74,999
U. S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	1,020,391
Vocational education-basic grants to states	84.048	30,110
Safe and drug-free schools and communities-state grants	84.186	23,941
Eisenhower professional development state grants	84.281	59,462
State grants for innovative program	84.298	6,421
Education technology state grants	84.318	20,351
Comprehensive school reform demonstration	84.332	159,900
Rural education	84.358	39,761
Improving teacher quality state grants	84.367	131,156
Grants for state assessment and related activities	84.369	9,266
Hurricane education recovery	84.938	887,665
Total		2,388,424
Special educational cluster:		
Special education-grants to states	84.027	311,543
Special education-preschool grants	84.173	20,923
Total		332,466
Total passed-through Mississippi Department of Education		2,720,890
Total U. S. Department of Education		2,720,890
Total for All Federal Awards		$ 3,579,167

NOTES TO SCHEDULE

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

WILKINSON COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures – Governmental
For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Adminstration	Other
Salaries and fringe benefits	$ 8,915,836	6,658,570	489,274	533,456	1,234,536
Other	4,213,248	934,890	338,083	58,126	2,882,149
Total	13,129,084	7,593,460	827,357	591,582	4,116,685
Total number of students	1,350				
Cost per student	$ 9,725	5,625	613	438	3,049

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

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

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

School Adminstration - includes expenditures for the following function: Support Services - School Administration (2400s)

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

WILKINSON COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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

January 18, 2007

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2006, which collectively comprise Wilkinson County School District's basic financial statements and have issued our report thereon dated January 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Al Dribben, CPA
P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 Toll Free

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.

Sincerely,

Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

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

January 18, 2007

Superintendent and School Board
Wilkinson County School District

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

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

Internal Control Over Compliance

The management of the Wilkinson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a

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reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Sincerely,

Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, Mississippi

WILKINSON COUNTY SCHOOL DISTRICT

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

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

January 18, 2007

Superintendent and School Board
Wilkinson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wilkinson County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii). Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $25,908 of classroom supply funds carried over from previous years.

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

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

Sincerely,

Albert F. Dribben, CPA
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WILKINSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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WILKINSON COUNTY SCHOOL DISTRICT

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	No
6.	Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	No

7. Federal programs identified as major programs:

Program name:	
Title I grants to local education agencies	CFDA# 84.010
Hurricane education recovery	CFDA# 84.938
Special Education Cluster:	
Special education – grants to states	CFDA# 84.027
Special education – preschool grants	CFDA# 84.173

8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	Yes
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133?	Yes

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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