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WINONA SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

WINONA SCHOOL DISTRICT

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

Superintendent and School Board
Winona School District

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

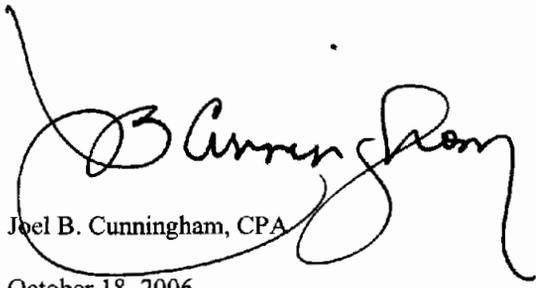
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 opinions.

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 Winona 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 October 18, 2006, on our consideration of the Winona 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (4) through (9) and the Budgetary Comparison Schedule and corresponding notes on pages (30) through (34) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 Winona 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.

A handwritten signature in black ink, appearing to read "Joel B. Cunningham". The signature is fluid and cursive, with a large loop at the end.

Joel B. Cunningham, CPA

October 18, 2006

WINONA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Winona 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 \$69,892, which represents a 1% increase from fiscal year 2005.
- General revenues account for \$7,585,406 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,914,976 or 28% of total revenues.
- The District had \$10,430,490 in expenses; only \$2,914,976 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,585,406 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,926,853 in revenues and \$7,384,971 in expenditures. The General Fund's fund balance decreased \$53,396 over the prior year. The EHA, Part B Fund had \$317,862 in revenues and \$312,659 in expenses with a \$1 increase in fund balance. The Title I Fund had \$494,033 in revenues and \$494,033 in expenses with no change in fund balance occurring.
- Capital assets, net of accumulated depreciation, increased by 209,069.
- Long-term debt increased by \$128,400; this net increase is due to the issuance of a new 3 mill note and to the repayment of the debt as required by the amortization schedules.

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 Exhibit A and B 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 14 and 16, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. 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 Exhibit C and D 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 the Statement of Fiduciary Net Assets on page 17.

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 18-29 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 30-34 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 36 of this report. The Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 37.

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 \$4,762,471 as of June 30, 2006.

Of the District's net assets (48%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), 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
Current assets	\$ 3,252,226	\$ 3,299,293	-1.4%
Capital assets, net	3,579,467	3,370,398	6.2%
Total assets	<u>6,831,693</u>	<u>6,669,691</u>	2.4%
Current liabilities	472,997	509,287	-7.1%
Long-term debt outstanding	1,596,225	1,467,825	8.7%
Total liabilities	<u>2,069,222</u>	<u>1,977,112</u>	4.7%
Net assets:			
Invested in capital assets, net of related debt	2,292,708	2,221,253	3.2%
Restricted	607,943	557,387	9.1%
Unrestricted	1,861,820	1,913,939	-2.7%
Total net assets	<u>\$ 4,762,471</u>	<u>\$ 4,692,579</u>	1.5%

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

- \$473,983 capital additions and \$262,114 in depreciation expense
- \$400,000 proceeds from 3 mill note
- The principal retirement of \$271,600 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006, were \$10,500,382. The total cost of all programs and services was \$10,430,490. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

	2006	2005	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 517,718	\$ 514,896	0.5%
Operating grants and contributions	2,397,258	2,444,052	-1.9%
General revenues:			
Property taxes	1,061,630	1,089,422	-2.6%
Grants and other contributions not restricted	6,432,329	5,895,340	9.1%
Other	91,447	184,265	-50.4%
Total revenues	<u>10,500,382</u>	<u>10,127,975</u>	3.7%
Expenses:			
Instruction	6,532,568	5,948,702	9.8%
Support services	3,247,344	3,006,371	8.0%
Non-instructional	574,812	517,495	11.1%
Sixteenth section	256	719	-64.4%
Interest on long-term liabilities	75,510	76,100	-0.8%
Total expenses	<u>10,430,490</u>	<u>9,549,387</u>	9.2%
Increase in net assets	69,892	578,588	-87.9%
Net assets, July 1	4,692,579	4,113,991	14.1%
Net assets, June 30	<u>\$ 4,762,471</u>	<u>\$ 4,692,579</u>	1.5%

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

	Total Expenses		Net (Expense) Revenue	
	2006	2005	2006	2005
Instruction	\$ 6,532,568	\$ 5,948,702	\$ (4,925,676)	\$ (4,389,104)
Support services	3,247,344	3,006,371	(2,489,754)	(2,172,654)
Non-instructional	574,812	517,495	(24,318)	48,138
Sixteenth section	256	719	(256)	(719)
Interest on long-term liabilities	75,510	76,100	(75,510)	(76,100)
Total expenses	<u>\$ 10,430,490</u>	<u>\$ 9,549,387</u>	<u>\$ (7,515,514)</u>	<u>\$ (6,590,439)</u>

- Net cost of governmental activities (\$7,515,514) was financed by general revenue, which is made up of primarily property taxes of \$1,061,630 and state revenue of \$6,168,661.
- Investment earnings accounted for \$55,650 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 \$2,804,291, decrease of \$12,887. \$2,228,669 or 79% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$575,622 or 21% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$53,396, a result of transfers to other funds.

The fund balance of the EHA, Part B Fund increased \$1 due to normal operating procedures. The fund balance of the Title I Fund showed no change. The fund balance of Other Governmental Funds showed an increase of \$40,508, due primarily to interfund transfers and loan proceeds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for expenditures were increased for unexpected costs incurred by the district in the areas of instruction and support services.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, EHA, Part B Fund, and the Title I 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 were \$6,338,990 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$445,983 from the previous year. Total accumulated depreciation as of June 30, 2006, was \$2,759,523 and total depreciation expense for the year was \$262,114, resulting in total net assets of \$3,579,467.

	Capital assets, Net of Depreciation		
	2006	2005	Percentage Change
Land	\$ 222,480	\$ 222,480	0.0%
Construction in progress	71,037	-	100.0%
Buildings	2,232,349	2,304,079	-3.1%
Building improvements	153,966	166,854	-7.7%
Improvements other than buildings	162,864	169,812	-4.1%
Mobile equipment	378,356	327,341	15.6%
Furniture and equipment	358,415	179,832	99.3%
Total	<u>\$ 3,579,467</u>	<u>\$ 3,370,398</u>	<u>200.0%</u>

Additional information of the District's capital assets can be found in Note 5 on page 25 of this report.

Debt Administration. At June 30, 2006, the District had \$1,596,225 in general obligation bonds and other long-term debt outstanding, of which \$116,000 is due within one year.

	Outstanding Debt		Percentage Change
	2006	2005	
Limited obligation bonds payable	\$ 1,220,000	\$ 1,300,000	-6.0%
Three mill notes payable	310,000	47,485	-553.0%
Transportation equipment loans payable	-	16,169	-100.0%
Obligations under energy efficiency lease bonds payable	-	10,340	-100.0%
Other loans payable	-	25,151	-100.0%
Compensated absences payable	66,225	68,680	-4.0%
Total	<u>\$ 1,596,225</u>	<u>\$ 1,467,825</u>	<u>-863.0%</u>

The District maintains an A+ bond rating.

Additional information of the District's long-term debt can be found in Note 6 beginning on page 26 of this report.

CURRENT ISSUES

The Winona 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 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 remain basically constant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Winona School District, 218 Fairground Street, Winona, MS, 38967.

WINONA SCHOOL DISTRICT

FINANCIAL STATEMENTS

WINONA SCHOOL DISTRICT
Statement of Net Assets
June 30, 2006

Exhibit A

	<u>Government Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,921,945
Due from other governments	320,268
Other receivables, net	1,345
Inventories and prepaid items	8,651
Restricted assets	17
Capital assets, net	<u>3,579,467</u>
Total assets	<u>6,831,693</u>
LIABILITIES	
Accounts payable and accrued liabilities	447,935
Interest payable on long-term liabilities	25,062
Long-term liabilities (due within one year)	
Capital-related liabilities	116,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	1,414,000
Non-capital liabilities	<u>66,225</u>
Total liabilities	<u>2,069,222</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,292,708
Restricted net assets:	
Expendable:	
School-based activities	332,394
Debt service	(24,912)
Capital improvements	207,735
Forestry improvements	45,147
Unemployment benefits	47,562
Non-expendable:	
Sixteenth section principal	17
Unrestricted	<u>1,861,820</u>
Total net assets	<u>\$ 4,762,471</u>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 6,532,568	359,874	1,247,018	-	(4,925,676)
Support services	3,247,344	-	757,590	-	(2,489,754)
Non-instructional	574,812	157,844	392,650	-	(24,318)
Sixteenth section	256	-	-	-	(256)
Interest on long-term liabilities	75,510	-	-	-	(75,510)
Total governmental activities	\$ 10,430,490	517,718	2,397,258	-	(7,515,514)

General Revenues:

Taxes:

General purpose levies	1,001,630
Debt purpose levies	60,000

Unrestricted grants and contributions:

State	6,168,661
Federal	263,668
Unrestricted investment earnings	55,650
Sixteenth section sources	26,036
Other	9,761
Total General Revenues	7,585,406

Change in Net Assets 69,892

Net Assets - Beginning 4,692,579

Net Assets - Ending \$ 4,762,471

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

WINONA SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2006

Exhibit C

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	EHA, Part B Fund	Title I Fund		
ASSETS					
Cash and cash equivalents	\$ 2,006,868	-	-	915,094	2,921,962
Due from other governments	47,956	76,773	82,652	112,887	320,268
Accrued interest receivable	-	-	-	345	345
Due from other funds	278,065	-	-	-	278,065
Advances to other funds	1,000	-	-	-	1,000
Inventories and prepaid items	-	-	-	8,651	8,651
Total Assets	\$ 2,333,889	76,773	82,652	1,036,977	3,530,291
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 320,887	5,220	31,303	90,525	447,935
Due to other funds	83,779	71,553	51,349	71,384	278,065
Total Liabilities	404,666	76,773	82,652	161,909	726,000
Fund Balances:					
Reserved for:					
Advances	1,000	-	-	-	1,000
Inventory	-	-	-	8,651	8,651
Ad valorem	22,136	-	-	-	22,136
Debt service	-	-	-	150	150
Unemployment benefits	-	-	-	47,562	47,562
Forestry improvements	-	-	-	45,147	45,147
Unreserved:					
Designated, reported in:					
Capital projects fund	-	-	-	450,976	450,976
Undesignated, reported in:					
General fund	1,906,087	-	-	-	1,906,087
Special revenue funds	-	-	-	322,565	322,565
Permanent funds	-	-	-	17	17
Total Fund Balances	1,929,223	-	-	875,068	2,804,291
Total Liabilities and Fund Balances	\$ 2,333,889	76,773	82,652	1,036,977	3,530,291

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,804,291
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,759,523.	3,579,467
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,596,225)
3. Interest payable on long-term debt attributable to the current period is not reported in the funds until its due.	<u>(25,062)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,762,471</u>

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

WINONA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	EHA, Part B Fund	Title I Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 1,409,277	-	-	235,100	1,644,377
State sources	6,253,908	-	-	392,960	6,646,868
Federal sources	263,668	317,862	494,033	1,107,161	2,182,724
Sixteenth section sources	-	-	-	26,413	26,413
Total Revenues	7,926,853	317,862	494,033	1,761,634	10,500,382
Expenditures:					
Instruction	5,060,602	161,118	292,228	1,100,663	6,614,611
Support services	2,324,369	151,541	201,571	636,179	3,313,660
Noninstructional services	-	-	234	565,260	565,494
Sixteenth section	-	-	-	256	256
Fixed asset acquisition and construction	-	-	-	71,037	71,037
Debt service:					
Principal	-	-	-	269,145	269,145
Interest	-	-	-	77,620	77,620
Total Expenditures	7,384,971	312,659	494,033	2,720,160	10,911,823
Excess (Deficiency) of Revenues Over Expenditures					
	541,882	5,203	-	(958,526)	(411,441)
Other Financing Sources (Uses):					
Proceeds from loan	-	-	-	400,000	400,000
Operating transfers in	148,227	-	-	877,830	1,026,057
Operating transfers out	(743,505)	(5,202)	-	(277,350)	(1,026,057)
Total Other Financing Sources (Uses)	(595,278)	(5,202)	-	1,000,480	400,000
Net Change in Fund Balances	(53,396)	1	-	41,954	(11,441)
Fund Balances:					
July 1, 2005	1,982,619	(1)	-	834,560	2,817,178
Decrease in reserve for inventory	-	-	-	(1,446)	(1,446)
June 30, 2006	\$ 1,929,223	-	-	875,068	2,804,291

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

WINONA SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2006

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (11,441)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$473,983 and the depreciation expense amounted to \$262,114.	211,869
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.	269,145
3. Gains or losses on disposal of fixed assets are not reported in the governmental funds but are recognized on the statement of activities, net of proceeds	(2,800)
4. Interest payable on long-term debt is not recognized as an expenditure in the governmental funds but is recognized on the statement of activities.	2,110
5. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	(1,446)
6. Proceeds from loans is reported as revenue in the governmental funds, but the receipt increases long-term liabilities on the statement of net assets.	(400,000)
7. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>2,455</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 69,892</u></u>

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

WINONA SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 28,579</u>
Total Assets	<u><u>\$ 28,579</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,469
Advances from other funds	1,000
Due to student clubs	<u>24,110</u>
Total Liabilities	<u><u>\$ 28,579</u></u>

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

WINONA 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 an "other stand-alone government." The School District is a related organization of, but not a component unit of, the city of Winona since the governing authority of the city selects a majority of the School District's board but does not have financial accountability for the School District.

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the 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 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 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/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

WINONA SCHOOL DISTRICT

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

C. Measurement Focus and Basis of Accounting.

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

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

The School District reports the following major governmental funds:

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

EHA, Part B- This fund is used to account for transactions of the special education grants to states program.

Title I Fund - This fund is used to account for the revenues and expenditures associated with the federal program which provides the School District with the resources to carry out their school improvement and corrective action responsibilities.

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

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

WINONA SCHOOL DISTRICT

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in Governmental Accounting, Auditing, and Financial Reporting as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in 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).

WINONA SCHOOL DISTRICT

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

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

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

I. Capital Assets.

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

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

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

WINONA SCHOOL DISTRICT

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

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, construction 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 ad valorem - An account used to record the ad valorem tax collections in excess of legal limitations for the current fiscal year.

WINONA SCHOOL DISTRICT

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the city 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 only the compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(2) Changes in Accounting Standards

As required, the Winona 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.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits are imposed by statutes as follows:
Deposits. The school board must advertise and accept bids for depositories no less than once every three

WINONA SCHOOL DISTRICT

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

years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,921,962 and \$28,579, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$2,921,945 and restricted assets - \$17. The restricted assets of \$17 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,487,607.

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 \$3,487,607 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 278,065	83,779
EHA, Part B Fund	-	71,553
Title I	-	51,349
Other Governmental Funds	-	71,384
Total Funds	<u>\$ 278,065</u>	<u>278,065</u>

The purpose of the interfund receivables and payables are to close out the federal programs at year end and to record payroll accruals in the fiduciary funds at year end. All interfund receivables and payable are expected to be paid within one year.

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$ 1,000	-
Fiduciary Funds	-	1,000
Total Funds	<u>\$ 1,000</u>	<u>1,000</u>

WINONA SCHOOL DISTRICT

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

Advances from the general fund to the fiduciary fund were made to maintain nominal cash balances in the fiduciary funds.

C. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 148,227	743,505
EHA, Part B Fund	-	5,202
Other Governmental Funds	<u>877,830</u>	<u>277,350</u>
Total Funds	<u>\$ 1,026,057</u>	<u>1,026,057</u>

The purpose of the interfund transfers out of the general fund are to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds was for debt service requirements. The remaining interfund activity was a result of normal operating activities.

(5) Capital Assets.

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

	<u>Balance 7/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/06</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 222,480	-	-	222,480
Construction in progress	-	71,037	-	71,037
Total non-depreciable capital assets	<u>222,480</u>	<u>71,037</u>	<u>-</u>	<u>293,517</u>
<u>Depreciable capital assets:</u>				
Buildings	3,906,412	-	-	3,906,412
Building improvements	322,200	-	-	322,200
Improvements other than buildings	223,709	-	-	223,709
Mobile equipment	682,156	111,958	(28,000)	766,114
Furniture and equipment	536,050	290,988	-	827,038
Total depreciable capital assets	<u>5,670,527</u>	<u>402,946</u>	<u>(28,000)</u>	<u>6,045,473</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,602,333	71,730	-	1,674,063
Building improvements	155,346	12,888	-	168,234
Improvements other than buildings	53,897	6,948	-	60,845
Mobile equipment	354,815	58,143	(25,200)	387,758
Furniture and equipment	356,218	112,405	-	468,623
Total accumulated depreciation	<u>2,522,609</u>	<u>262,114</u>	<u>(25,200)</u>	<u>2,759,523</u>
Total depreciable capital assets, net	<u>3,147,918</u>	<u>140,832</u>	<u>(2,800)</u>	<u>3,285,950</u>
Governmental activities capital assets, net	<u>\$ 3,370,398</u>	<u>211,869</u>	<u>(2,800)</u>	<u>3,579,467</u>

WINONA SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 169,172
Support services	74,591
Non-instructional	18,351
Total depreciation expense	<u>\$ 262,114</u>

(6) Long-term liabilities.

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

	<u>Balance 7/1/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2006</u>	<u>Amounts due within one year</u>
A. Limited obligation bonds payable	\$ 1,300,000	-	(80,000)	1,220,000	85,000
B. Three mill notes payable	47,485	400,000	(137,485)	310,000	31,000
C. Transportation equipment loans payable	16,169	-	(16,169)	-	-
D. Obligations under energy efficiency lease bonds payable	10,340	-	(10,340)	-	-
E. Other loans payable	25,151	-	(25,151)	-	-
F. Compensated absences payable	68,680	-	(2,455)	66,225	-
Total	<u>\$ 1,467,825</u>	<u>400,000</u>	<u>(271,600)</u>	<u>1,596,225</u>	<u>116,000</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 Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement	4.875%	05/22/98	02/01/17	\$ 1,785,000	1,220,000

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>Interest</u>	<u>Total</u>
2007	\$ 85,000	59,475	144,475
2008	90,000	55,331	145,331
2009	95,000	50,942	145,942
2010	100,000	46,312	146,312
2011	105,000	41,438	146,438
2012- 2016	605,000	125,530	730,530
2017- 2018	140,000	6,826	146,826
Total	<u>\$ 1,220,000</u>	<u>385,854</u>	<u>1,605,854</u>

WINONA 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 bond retirement fund.

B. Three mill notes payable.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
3 Mill Notes Payable	3.59%	06/15/06	06/15/15	\$ 400,000	310,000

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>Interest</u>	<u>Total</u>
2007	\$ 31,000	11,129	42,129
2008	35,000	10,016	45,016
2009	36,000	8,760	44,760
2010	36,000	7,467	43,467
2011	36,000	6,175	42,175
2012- 2016	136,000	11,847	147,847
Total	\$ 310,000	55,394	365,394

C. Transportation equipment loans payable.

This debt was satisfied during the year.

D. Obligations under energy efficiency lease.

This debt was satisfied during the year.

E. Other loans payable.

This debt was satisfied during the year.

F. 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

WINONA SCHOOL DISTRICT

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

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 \$661,744, \$596,118 and \$525,105, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2007	4,000
2008	4,000
2009	4,000
Total	\$ 12,000

(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.

WINONA SCHOOL DISTRICT

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

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 of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MPEWCT 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 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.

WINONA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,320,147	1,365,529	1,409,277	45,382	43,748
State sources	6,231,917	6,236,396	6,253,908	4,479	17,512
Federal sources	25,000	244,017	263,668	219,017	19,651
Total Revenues	<u>7,577,064</u>	<u>7,845,942</u>	<u>7,926,853</u>	<u>268,878</u>	<u>80,911</u>
Expenditures:					
Instruction	4,871,536	5,217,655	5,060,602	(346,119)	157,053
Support services	2,473,442	2,499,206	2,324,369	(25,764)	174,837
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>7,344,978</u>	<u>7,716,861</u>	<u>7,384,971</u>	<u>(371,883)</u>	<u>331,890</u>
Excess of Revenues Over Expenditures	<u>232,086</u>	<u>129,081</u>	<u>541,882</u>	<u>(103,005)</u>	<u>412,801</u>
Other Financing Sources (Uses):					
Operating transfers in	669,944	790,572	148,227	120,628	(642,345)
Operating transfers out	(1,391,941)	(1,416,731)	(743,505)	(24,790)	673,226
Total Other Financing Sources (Uses)	<u>(721,997)</u>	<u>(626,159)</u>	<u>(595,278)</u>	<u>95,838</u>	<u>30,881</u>
Net Change in Fund Balances	(489,911)	(497,078)	(53,396)	(7,167)	443,682
Fund Balances:					
July 1, 2005	<u>1,982,619</u>	<u>1,982,619</u>	<u>1,982,619</u>	<u>-</u>	<u>-</u>
June 30, 2006	<u>\$ 1,492,708</u>	<u>1,485,541</u>	<u>1,929,223</u>	<u>(7,167)</u>	<u>443,682</u>

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

WINONA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA, Part B Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	122,995	463,829	317,862	340,834	(145,967)
Total Revenues	122,995	463,829	317,862	340,834	(145,967)
Expenditures:					
Instruction	105,734	243,406	161,118	(137,672)	82,288
Support services	17,261	215,221	151,541	(197,960)	63,680
Total Expenditures	122,995	458,627	312,659	(335,632)	145,968
Excess of Revenues Over Expenditures	-	5,202	5,203	5,202	1
Other Financing Sources (Uses):					
Operating transfers out	-	(5,202)	(5,202)	(5,202)	-
Total Other Financing Sources (Uses)	-	(5,202)	(5,202)	(5,202)	-
Net Change in Fund Balances	-	-	1	-	1
Fund Balances:					
July 1, 2005	(1)	(1)	(1)	-	-
June 30, 2006	<u>\$ (1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>1</u>

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

WINONA SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 51,755	539,693	494,033	487,938	(45,660)
Total Revenues	<u>51,755</u>	<u>539,693</u>	<u>494,033</u>	<u>487,938</u>	<u>(45,660)</u>
Expenditures:					
Instruction	32,629	306,047	292,228	(273,418)	13,819
Support services	19,001	233,146	201,571	(214,145)	31,575
Noninstructional services	125	500	234	(375)	266
Total Expenditures	<u>51,755</u>	<u>539,693</u>	<u>494,033</u>	<u>(487,938)</u>	<u>45,660</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund Balances:					
July 1, 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2006	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

WINONA SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before the date established by the Mississippi Department of Education. 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.

WINONA SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

WINONA SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 34,321
Child nutrition cluster:		
School breakfast program	10.553	138,054
National school lunch program	10.555	328,224
Total child nutrition cluster		466,278
Fresh fruit and vegetable program	10.582	31,873
Total U.S. Department of Agriculture		532,472
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	263,668
Total Federal Communications Commission		263,668
<u>U.S. Department of Education</u>		
Direct programs:		
Fund for improvement of education	84.215	56,296
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	494,033
Vocational education - basic grants to states	84.048	16,434
Safe and drug-free schools and communities - state grants	84.186	9,168
Even Start - state educational agencies	84.213	3,426
Twenty-first century community learning centers	84.287	276,239
State grants for innovative programs	84.298	7,079
Education technology state grants	84.318	21,359
Comprehensive school reform demonstration	84.332	31,851
Rural education	84.358	56,336
Improving teacher quality state grants	84.367	89,052
Grants for state assessments and related activities	84.369	8,592
Hurricane education recovery	84.938	14,938
Total		1,028,507
Special education cluster:		
Special education - grants to states	84.027	344,701
Special education - preschool grants	84.173	16,335
Total		361,036
Total passed-through Mississippi Department of Education		1,389,543
Total U.S. Department of Education		1,445,839
Total for All Federal Awards		\$ 2,241,979

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,284,779	6,518,998	422,810	566,299	776,672
Other	<u>2,627,044</u>	<u>1,006,222</u>	<u>131,963</u>	<u>22,236</u>	<u>1,466,623</u>
Total	<u>\$ 10,911,823</u>	<u>7,525,220</u>	<u>554,773</u>	<u>588,535</u>	<u>2,243,295</u>
Total number of students *	<u>1,322</u>				
Cost per student	<u>\$ 8,254</u>	<u>5,692</u>	<u>420</u>	<u>445</u>	<u>1,697</u>

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

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

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

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

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

WINONA SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

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

Superintendent and School Board
Winona School District

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

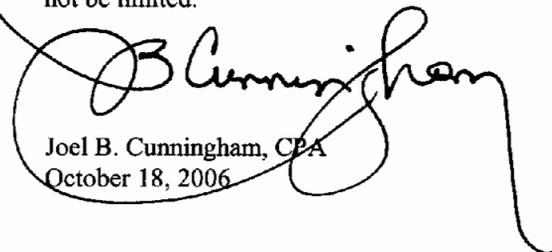
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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 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 should not be limited.



Joel B. Cunningham, CPA
October 18, 2006

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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

Superintendent and School Board
Winona School District

Compliance

We have audited the compliance of the Winona 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, Winona 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.

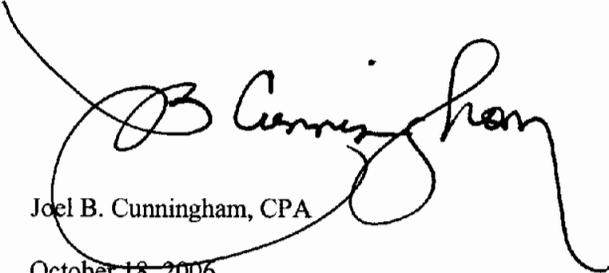
Internal Control Over Compliance

The management of the Winona School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Joel B. Cunningham, CPA

October 18, 2006

WINONA 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**

Superintendent and School Board
Winona School District

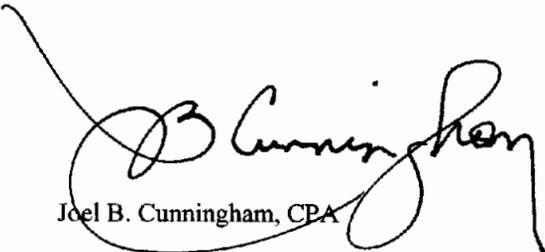
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Winona School District as of and for the year ended June 30, 2006, which collectively comprise Winona School District's basic financial statements and have issued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

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 requirement of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$13,011 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.



Joel B. Cunningham, CPA

October 18, 2006

WINONA SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WINONA 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 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: | |
| | a. Title I – grants to local educational agencies | |
| | CFDA # | 84.010 |
| | b. Special Education Cluster | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____,315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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