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WEST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2006

Robert Britt, CPA, P. A.
Clarksdale, Mississippi



WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board
West Tallahatchie School District

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe my audit provides a reasonable basis for my opinions.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated April 17, 2008, on my consideration of the West Tallahatchie School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (7) through (12) and the Budgetary Comparison Schedule and corresponding notes on pages (34) through (38) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming opinions on the financial statements that collectively comprise the West Tallahatchie 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 on these statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Robert B. Smith CPA".

April 17, 2008,

WEST TALLAHATCHIE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST TALLAHATCHIE SCHOOL DISTRICT

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

The discussion and analysis of West Tallahatchie 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 decreased by \$ 16,065, which represents a 0.9% decrease from fiscal year 2005.

General revenues account for \$6,240,185 in revenue, or 60% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,223,689 or 40% of total revenues.

The District had \$10,479,939 in expenses; only \$4,223,689 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$6,240,185 plus funds carried forward were adequate to provide for these programs.

Among major funds, the General Fund had \$6,567,497 in revenues and \$6,812,005 in expenditures. The General Fund's fund balance increased \$29,228 over the prior year due to sound fiscal management.

Capital assets, net of accumulated depreciation, increased by \$172,694.

Long-term debt increased by \$721,731.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current 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 17 and 19, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental fund balance sheet and 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 pages 16 and 18 respectively of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Net Fiduciary Assets on page 20.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-32 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 34-38 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 40-41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$1,735,183 as of June 30, 2006.

The largest portion of the District's net assets (46.6%) reflects funds that are restricted for capital improvements to the school districts property and cannot be expended for any other purpose. The next largest portion (37.9%) is unrestricted, which means the funds are available for spending to carry out the purposes of the school district at the discretion of the school board.

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 compared to the same period in 2005.

	<u>Governmental Activities</u>		Percentage
	2006	2005	Change
Current assets	2,124,426	1,550,220	37.04%
Capital assets, net	<u>3,210,838</u>	<u>3,038,144</u>	<u>5.68%</u>
Total assets	<u>5,335,264</u>	<u>4,588,364</u>	<u>16.28%</u>
Current liabilities	334,828	293,594	14.04%
Long-term debt outstanding	<u>3,265,253</u>	<u>2,543,522</u>	<u>28.38%</u>
Total liabilities	<u>3,600,081</u>	<u>2,837,116</u>	<u>26.89%</u>
Net assets:			
Invested in capital assets, net of related debt	(15,758)	550,125	-102.86%
Restricted	1,093,742	354,091	208.89%
Unrestricted	<u>657,199</u>	<u>847,032</u>	<u>-22.41%</u>
Total net assets	<u>1,735,183</u>	<u>1,751,248</u>	<u>0.92%</u>

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

The principal retirement of \$ 326,423 of long-term debt and the issuance of \$1,065,000 in 3 mil notes.

The addition of \$299,374 in capital assets from the equipping and furnishing existing schools and renovations and additions to existing schools.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2006 were \$10,463,874. The total cost of all programs and services was \$10,749,939. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 compared to the same period in 2005.

	<u>Governmental Activities</u>		<u>Percent</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues:			
Program revenues			
Charges for services	739,289	556,179	32.92%
Operating grants and contributions	3,484,400	3,014,976	15.57%
General Revenues			
Property taxes	1,388,653	1,344,191	3.31%
Grants and contributions not restricted	4,590,944	4,528,244	1.38%
Other	<u>260,588</u>	<u>248,974</u>	<u>4.66%</u>
Total revenues	<u>10,463,874</u>	<u>9,692,564</u>	<u>7.96%</u>
Expenses:			
Instruction	5,447,674	5,017,780	8.57%
Support services	3,868,920	3,463,131	11.72%
Non-instructional	919,607	899,852	2.20%
Facilities acquisition & construction	93,526	0	100.00%
Sixteenth section	870	4,120	-78.88%
Interest on long-term obligations	<u>149,342</u>	<u>126,143</u>	<u>18.39%</u>
Total Expenses	<u>10,479,939</u>	<u>9,511,026</u>	<u>10.19%</u>
Increase in net assets	<u>(16,065)</u>	<u>181,538</u>	<u>-108.85%</u>

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.

	<u>Total Cost of Services</u>		<u>Percent</u>	<u>Net Revenue (Expense)</u>		<u>Percent</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Instruction	5,447,674	5,017,780	8.57%	(3,388,356)	(3,391,945)	-0.11%
Support services	3,868,920	3,463,131	11.72%	(2,847,562)	(2,625,371)	8.46%
Non-instructional	919,607	899,852	2.20%	7,818	(7,879)	-199.23%
Sixteenth section	870	4,120	-78.88%	(870)	(4,120)	-78.88%
Facilities acquisition & construction	93,526		100.00%	(93,526)	0	100.00%
Interest on long-term obligations	<u>149,342</u>	<u>126,143</u>	<u>18.39%</u>	<u>66,246</u>	<u>89,444</u>	<u>-25.94%</u>
	<u>10,479,939</u>	<u>9,511,026</u>	<u>10.19%</u>	<u>(6,256,250)</u>	<u>(5,939,871)</u>	<u>5.33%</u>

Net cost of governmental activities \$6,256,250, was financed by general revenue, which is made up of primarily property taxes \$1,388,653, state revenue \$4,528,710, and federal revenue \$62,234 and sixteenth section revenues of \$213,076.

Investment earnings accounted for \$36,747 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the

District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,839,091, an increase of \$536,189 due primarily to issuance of long term debt capital projects. \$720,311 or 39% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,118,780 or 61% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$29,228 primarily due to sound financial management. The 16th Section Fund showed a decrease of \$139,858 as a result of transferring funds to the general fund in excess of revenues received. The Capital Projects Fund showed an increase of \$808,598 due to unexpended funds borrowed for construction and renovation. The Title I Fund had no fund balance in either the current or prior year. The fund balance of Other Governmental Funds showed a decrease of \$161,780 due primarily to the early retirement of long term debt.

BUDGETARY HIGHLIGHTS

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

Budget amounts for revenue from state sources was increased in the General Fund as state cutbacks were less than originally anticipated. Expenditures were amended to actual expenditures at June 30, 2006 as recorded in the district's prepared financial statements.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$6,242,278, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$299,374 from the previous year due to the acquisitions exceeding dispositions. Total accumulated depreciation as of June 30, 2006 was \$3,031,440 and total depreciation expense for the year was \$126,680, resulting in total net assets of \$3,210,838.

	Capital Assets Net of Depreciation		Percentage
	2006	2005	Change
Land	15,491	15,491	0.00%
Construction in Progress	192,302	0	100.00%
Buildings	2,786,905	2,847,763	-2.14%
Mobile equipment	160,121	152,060	5.30%
Furniture and equipment	56,019	22,830	145.37%
Total	<u>3,210,838</u>	<u>3,038,144</u>	<u>5.68%</u>

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

Debt Administration. At June 30, 2006, the District had \$3,265,253 in general obligation bonds and other long-term debt outstanding, of which \$206,596 is due within one year.

The District maintains a AA bond rating.

	Outstanding Debt		Percentage
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Limited obligation bonds payable	\$1,920,000	\$2,035,000	-5.65%
Three mill notes payable	\$1,065,000	\$165,000	545.45%
Certificates of Participation	\$241,596	\$265,000	-8.83%
Obligations under energy efficiency lease	\$0	\$23,019	-100.00%
Compensated absences payable	\$38,657	\$55,503	-30.35%
Total	<u>\$3,265,253</u>	<u>\$2,543,522</u>	<u>28.38%</u>

Additional information of the District's long-term debt can be found in Note 6 on pages 28-30 of this report.

CURRENT ISSUES

The West Tallahatchie School District is struggling in a poor economy in one of the poorest districts in the state. Current construction expanding a prison located in the district should provide much needed additional tax revenue in the near future. The District is proud of its community support of the public schools.

The District is committed to financial excellence. In addition, the district system of financial planning, budgeting and internal financial controls are now 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 decrease by 17 students. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the West Tallahatchie School District, P. O. Box 129, Webb, MS 38966.

WEST TALLAHATCHIE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit A

Statement of Net Assets

June 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 1,472,701
Investments (Note 3)	38,062
Due from other governments	552,825
Other receivables, net	23,096
Inventories and prepaid items	15,215
Restricted assets (Note 3)	22,527
Capital assets not being depreciated	
Land	15,491
Construction in Progress	192,302
Capital assets net of accumulated depreciation	
Buildings	2,786,905
Mobile equipment	160,121
Furniture and equipment	56,019
Total Assets	\$ 5,335,264
Liabilities	
Accounts payable and accrued liabilities	\$ 141,949
Interest payable on long-term liabilities	49,493
Deferred revenue	143,386
Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	206,596
Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	3,020,000
Non-capital related liabilities	38,657
Total Liabilities	\$ 3,600,081
Net Assets	
Investment in capital assets, net of related debt	\$ (15,758)
Restricted net assets:	
Expendable:	
Debt service	238,595
Unemployment benefits	24,022
Capital projects	808,598
Forestry improvements	9,823
Nonexpendable	
Sixteenth section	22,527
Unrestricted	647,376
Total Net Assets	\$ 1,735,183

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
				Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 5,447,674	693,509	1,365,809	(3,388,356)
Support services	3,868,920		1,021,358	(2,847,562)
Non-instructional	919,607	45,780	881,645	7,818
16th Section	870			(870)
Facilities acquisition & construction	93,526			(93,526)
Interest on long-term liabilities	149,342		215,588	66,246
Total governmental activities	\$ 10,479,939	739,289	3,484,400	(6,256,250)
Taxes:				
				1,275,300
				113,353
Unrestricted grants and contributions:				
				4,528,710
				62,234
				36,747
				213,076
				10,765
				6,240,185
				(16,065)
				1,751,248
				\$ 1,735,183

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2006

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	16th Section Interest Fund	Capital Project Fund	Other Governmental Funds	
ASSETS						
Cash and cash equivalents (Note 3)	\$ 67,697	97,686	299,955	827,828	202,062	1,495,228
Investments (Note 3)					38,062	38,062
Due from other governments	248,206	1,189			303,430	552,825
Due from other funds (Note 4)	83,545	1,935			54,696	140,176
Inventories and prepaid items					15,215	15,215
Total Assets	\$ 399,448	100,810	299,955	827,828	613,465	2,241,506
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 79,468	6,324		19,230	36,927	141,949
Due to other funds (Note 4)	4,388	8,578	75,000		29,114	117,080
Deferred Revenue		85,908			57,478	143,386
Total Liabilities	83,856	100,810	75,000	19,230	123,519	402,415
Fund Balances:						
Reserved for:						
Inventory					15,215	15,215
Capital Projects				808,598	0	808,598
Debt Service					238,595	238,595
Unemployment benefits					24,022	24,022
Forestry improvements					9,823	9,823
Permanent fund purposes					22,527	22,527
Unreserved:						
Undesignated, reported in:						
General fund	315,590					315,590
Special Revenue funds			224,955		179,766	404,721
Total Fund Balances	315,590	0	224,955	808,598	489,948	1,839,091
Total Liabilities and Fund Balances	\$ 399,446	100,810	299,955	827,828	613,467	2,241,506

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit C-1

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

Amount

Total Fund Balance - Governmental Funds \$ 1,839,091

Amounts reported for governmental activities 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 \$ 3,031,440 (Note 5) 3,210,838
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6) (3,265,253)
3. Interest accrued on long-term liabilities is not due and payable in the current period and therefore is not reported in the funds. (49,493)

Total Net Assets - Governmental Activities \$ 1,735,183

WEST TALLAHATCHIE LINE 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 Govern- mental Funds
	General Fund	Title I Fund	16th Section Interest Fund	Capital Project Fund	Other Govern- mental Funds	
Revenues:						
Local sources	\$ 1,972,637	2,677		29,426	161,233	2,165,973
State sources	4,528,710				760,098	5,288,808
Federal sources	66,150	862,793			1,856,309	2,785,252
Sixteenth section sources			210,142		2,934	213,076
Total Revenues	6,567,497	865,470	210,142	29,426	2,780,574	10,453,109
Expenditures:						
Instruction	3,932,192	321,004			1,155,282	5,408,478
Support services	2,831,219	457,592			637,268	3,926,079
Non instructional services	19,701	86,874			794,773	901,348
16th Section					870	870
Facilities acquisition & construction				285,828	0	285,828
Debt service:						
Principal	23,019				303,404	326,423
Interest	5,874				137,786	143,660
Total Expenditures	6,812,005	865,470	0	285,828	3,029,383	10,992,686
Excess (Deficiency) of Revenues Over Expenditures	(244,508)	0	210,142	(256,402)	(248,809)	(539,577)
Other Financing Sources (Uses):						
Proceeds of loans				1,065,000	0	1,065,000
Insurance loss recovery	10,765				0	10,765
Operating transfers in	382,690				119,719	502,409
Operating transfers out	(119,719)		(350,000)		(32,690)	(502,409)
Total Other Financing Sources (Uses)	273,736	0	(350,000)	1,065,000	87,029	1,075,765
Net Change in Fund Balances	29,228	0	(139,858)	808,598	(161,780)	536,188
Fund Balances:						
July 1, 2005	286,362		364,813		649,262	1,300,437
Increase in reserve for inventory					2,466	2,466
June 30, 2006	\$ 315,590	0	224,955	808,598	489,948	1,839,091

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 536,188
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 assets purchased were \$299,374 and the depreciation expense amounted to \$126,680. (Note 5)	172,694
2. Decrease in Compensated absences is not recorded in the governmental funds, but decreases expense in the statement of activity. (Note 6)	16,846
3. Payment of interest on long-term liabilities is reported as an expenditure when paid in the governmental funds, but is accrued and expensed in the period incurred in the statement of activity. (Note 6)	(5,682)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)	326,423
5. Proceeds from issuance of debt are recorded as other sources of revenue in the governmental funds, but increase long-term debt in the statement of activity.	(1,065,000)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are increased (decreased) in the statement of activity.	2,466
Change in Net Assets of Governmental Activities	\$ <u>(16,065)</u>

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Exhibit E

Statement of Fiduciary Net Assets

June 30, 2006

		Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$	437,248
Due from other funds (Note 4)		<u>24,359</u>
Total Assets	\$	<u>461,607</u>
Liabilities		
Accounts payable and accrued liabilities		395,858
Due to student clubs		18,294
Due to other funds (Note 4)		<u>47,455</u>
Total Liabilities	\$	<u>461,607</u>

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

Notes to the Financial Statements
For the Year Ending 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 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 (5) member board of which each member was elected by the citizens of each defined 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 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. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

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.

Title I Fund - This fund provides for additional instruction in reading and mathematics for children who are educationally disadvantaged.

16th Section Fund - This fund accounts for revenues from rents and leases on 16th section lands held in trust by the district. These funds can be transferred to the general fund to operate the district.

Capital roject Fund - This is a capital project fund to account for proceeds of a 3 Mil loan obtained to provide major renovations to school district property.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

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, 2003* 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 financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of three 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 three 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 cost of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the cost 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.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

	<u>Capitalization</u> <u>Policy</u>	<u>Estimated</u> <u>Useful Life</u>
Land	\$ 0	0
Buildings	\$50,000	40 years
Buildings	\$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 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. 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 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

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.

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

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 specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

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

Reserved of 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 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.

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

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum 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 to do so 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..

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

P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Changes in Accounting Standards.

As required, the West Tallahatchie 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, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,495,228 and \$437,248, respectively. The carrying amount of deposits reported in the governmentwide statements was: Cash and cash equivalents \$1,472,701 and Restricted Assets \$22,527. The Restricted assets of \$22,527 represents the cash balance of the 16th Section Principal Fund (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,171,301.

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a 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 \$6,157,482 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Handcock horizon Treasury Fund	Less than 1 year	<u>38062</u>	None
Total Investments		<u><u>38062</u></u>	

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

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

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

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Due From/To Other Funds:</u>	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	83,545	4,388
Title I	1,935	8,578
16th Section Interest Fund		75,000
Other Governmental Funds	54,696	29,114
Fiduciary Funds	<u>24,359</u>	<u>47,455</u>
Total	<u><u>164,535</u></u>	<u><u>164,535</u></u>

Interfund loans are necessary to provide cash to reimbursable programs at year end, since the actual cash is not received until after June 30.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	382,690	119,719
16th Section Interest Fund		350,000
Other Governmental Funds	119,719	32,690
Total	<u>\$502,409</u>	<u>\$502,409</u>

Transfers were made from federal funds for indirect costs. Also, transfers were made from the General Fund to other governmental funds to offset program cost which were not reimbursed by state or federal funds.

(5) Capital Assets.

The following is a summary of changes in capital assets:

	<u>Balance 07/01/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/2006</u>
Land	15,491			15,491
Construction in Progress		192,302		192,302
Total Non Depreciated Assets	<u>15,491</u>	<u>192,302</u>	<u>0</u>	<u>207,793</u>
Buildings	4,442,627			4,442,627
Mobile equipment	1,310,264	48,363		1,358,627
Furniture and equipment	174,522	58,709		233,231
Total Depreciable Assets	<u>5,927,413</u>	<u>107,072</u>	<u>0</u>	<u>6,034,485</u>
Less accumulated depreciation for:				
Buildings	1,594,864	60,858		1,655,722
Mobile equipment	1,158,204	40,302		1,198,506
Furniture and equipment	151,692	25,520		177,212
Total accumulated depreciation	<u>2,904,760</u>	<u>126,680</u>	<u>0</u>	<u>3,031,440</u>
Net depreciable assets	<u>3,022,653</u>	<u>(19,608)</u>	<u>0</u>	<u>3,003,045</u>
Governmental activities capital assets net	<u>3,038,144</u>	<u>172,694</u>	<u>0</u>	<u>3,210,838</u>

Depreciation was charged to the following functions:

	<u>Amount</u>
Instruction	55,008
Support services	50,947
Non-instructional	20,725
Total depreciation expense	<u>126,680</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

(6) Long-term Liabilities.

The following is a summary of changes in long-term liabilities:

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

	Balance <u>07/01/2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/2006</u>	Due within <u>one year</u>
A. Limited obligation bonds payable	\$2,035,000		\$115,000	\$1,920,000	\$125,000
B. Three mill notes payable	165,000	1,065,000	165,000	1,065,000	50,000
C. Certificates of Participation	265,000		23,404	241,596	31,596
D. Obligations under energy efficiency lease	23,019		23,019	0	0
E. Compensated absences payable	55,503		16,846	38,657	0
Total	<u>\$2,543,522</u>	<u>\$1,065,000</u>	<u>\$343,269</u>	<u>\$3,265,253</u>	<u>\$206,596</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 Bonds, Series 1998	Variable	3/1/98	3/1/18	\$2,510,000	\$1,920,000

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

Year Ending June 30,	Principal	Interest	Total
2007	125,000	89,645	214,645
2008	130,000	84,020	214,020
2009	135,000	78,170	213,170
2010	140,000	71,960	211,960
2011	145,000	65,485	210,485
2011-2016	845,000	218,326	1,063,326
2017-2021	400,000	28,738	428,738
Total	<u>1,920,000</u>	<u>636,344</u>	<u>2,556,344</u>

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 Debt Service Fund.

B. Three mill-ten year notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trustmark National Bank	4.20%	9/01/05	9/01/20	1,065,000	1,065,000

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

Year Ending June 30,	Principal	Interest	Total
2007	50,000	43,680	93,680
2008	55,000	41,475	96,475

WEST TALLAHATCHIE SCHOOL DISTRICT

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

2009	55,000	39,165	94,165
2010	60,000	36,750	96,750
2011	60,000	34,230	94,230
2011-2016	350,000	129,360	479,360
2017-2021	<u>435,000</u>	<u>47,145</u>	<u>482,145</u>
Total	<u>1,065,000</u>	<u>371,805</u>	<u>1,436,805</u>

This debt will be retired from the 3 Mill Debt Service Fund.

C. Certificates of participation payable

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
West Tallahatchie School Improvement Corporation Certificates of Participation	5.10-6.50%	3/1/93	3/1/13	\$500,000	\$241,596

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	31,596	14,105	45,701
2008	30,000	12,395	42,395
2009	30,000	10,670	40,670
2010	35,000	8,930	43,930
2011	35,000	6,865	41,865
2011-2016	<u>80,000</u>	<u>7,200</u>	<u>87,200</u>
Total	<u>241,596</u>	<u>60,165</u>	<u>301,761</u>

This debt will be retired from the EEF Buildings and Buses Fund.

D. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences 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 Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 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

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

fiscal years ending June 30, 2006, 2005, and 2004 were \$531,813, \$502,634 and \$495,176, respectively, which equaled the required contribution for each year.

(8) Sixteenth Section Funds.

Sixteenth section 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,	
2007	169,503
2008	<u>169,502</u>
Total	<u><u>339,005</u></u>

(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 years.

Participation in Public Entity Risk Pool.

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

(10) Trust Certificates.

A trust agreement dated March 1, 1993, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorizes the issuance of certificates of participation (school facilities construction project) in the principal amount of \$500,000. Approximately \$468,276 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$31,724 was used to pay cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the certificates of participation. The school district is obligated to make lease payments to the

WEST TALLAHATCHIE SCHOOL DISTRICT

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

trustee in an amount equal to the debt service requirements for the certificates of participation. The lease rental payments by the school district will be used by the trustee to pay principal and interest due on the trust certificates.

It is not anticipated that the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease: therefore, the source of payment of the certificates is the school district. See Note 4 for details regarding the debt service requirements on the trust certificates.

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

(11) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, North Bolivar School District, Quitman County School District, Coahoma Agricultural High School District, and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school district to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program is the responsibility of West Tallahatchie School District.

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements. The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Delta Alternative School.

Statement of Revenues and Changes in Fund Balance
For the Year ending June 30, 2006

Revenues

Local Sources

Tuition from other LEA's within the state

Coahoma County School District	81,501
Coahoma Agricultural High School	81,501
Drew School District	81,501
North Bloivar School District	81,501
Quitman County School District	81,501
Sunflower County School District	81,501
West Tallahatchie School District	81,501
Total Revenue	<u>570,507</u>

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Expenditures	
Salaries	395,085
Employee benefits	124,465
Purchased property service	42,961
Other purchased services	2,672
Supplies	8,824
Property	13,220
Total Expenditures	<u>587,227</u>
Excess of Revenues over (under) Expenditures	(16,720)
Other Financing Sources(Uses):	
Operating transfer in	<u>81,501</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>64,781</u>
Fund Balance:	
July 1, 2005	<u>0</u>
June 30, 2006	<u><u>64,781</u></u>

WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Schedule 1

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	\$ 2,060,238	1,986,433	1,972,637	(73,805)	(13,796)
State sources	4,852,789	4,528,710	4,528,710	(324,079)	0
Federal sources	63,560	17,374	66,150	(46,186)	48,776
Total Revenues	6,976,587	6,532,517	6,567,497	(444,070)	34,980
Expenditures:					
Instruction	3,862,690	3,932,469	3,932,192	69,779	277
Support services	2,615,710	2,834,935	2,831,219	219,225	3,716
Noninstructional services	23,580	19,701	19,701	(3,879)	0
Debt service:					
Principal	23,019	23,019	23,019	0	0
Interest	5,874	5,874	5,874	0	0
Total Expenditures	6,530,873	6,815,998	6,812,005	285,125	3,993
Excess (Deficiency) of Revenues Over Expenditures	445,714	(283,481)	(244,508)	(158,945)	38,973
Other Financing Sources (Uses):					
Insurance loss recovery	500	10,765	10,765	10,265	0
Operating transfers in	297,410	404,352	382,690	106,942	(21,662)
Operating transfers out	(130,742)	(141,381)	(119,719)	(11,023)	21,662
Total Other Financing Sources (Uses)	167,168	273,736	273,736	106,184	0
Net Change in Fund Balances	612,882	(9,745)	29,228	(52,761)	38,973
Fund Balances:					
July 1, 2005	219,026	219,026	286,362	0	67,336
June 30, 2006	831,908	209,281	315,590	(622,627)	106,309

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Schedule 2

Budgetary Comparison Schedule

Title I 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	\$ 150	2,677	2,677	2,527	0
Federal sources	792,892	943,535	862,793	150,643	(80,742)
Total Revenues	793,042	946,212	865,470	153,170	(80,742)
Expenditures:					
Instruction	295,067	321,192	321,004	(26,125)	188
Support services	355,646	458,980	457,592	(103,334)	1,388
Non instructional services	86,143	86,875	86,874	(732)	1
Total Expenditures	736,856	867,047	865,470	(130,191)	1,577
Excess (Deficiency) of Revenues Over Expenditures	56,186	79,165	0	22,979	(79,165)
Other Financing Sources (Uses):					
Operating transfers out		0		0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	56,186	79,165	0	22,979	(79,165)
Fund Balances:					
July 1, 2005	0	0		0	0
June 30, 2006	56,186	79,165	0	22,979	(79,165)

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT

Schedule 3

Budgetary Comparison Schedule

16th Section Interest 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:					
16th Section Sources	\$ 191,766	210,141	210,142	18,375	1
Total Revenues	191,766	210,141	210,142	18,375	1
Expenditures:					
16th Section Expenditures		0	0	0	0
Total Expenditures	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	191,766	210,141	210,142	18,375	1
Other Financing Sources (Uses):					
Operating transfers out	(175,000)	(350,000)	(350,000)	(175,000)	0
Total Other Financing Sources (Uses)	(175,000)	(350,000)	(350,000)	(175,000)	0
Net Change in Fund Balances	16,766	(139,859)	(139,858)	(156,625)	1
Fund Balances:					
July 1, 2005	364,813	364,813	364,813	0	0
June 30, 2006	381,579	224,954	224,955	(156,625)	1

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

WEST TALLAHATCHIE LINE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Capital Project Fund
 For the Year Ended June 30, 2006

Schedule 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$	29,426	29,426	29,426	0
Total Revenues	0	29,426	29,426	29,426	0
Expenditures:					
construction		285,828	285,828	(285,828)	0
Total Expenditures	0	285,828	285,828	(285,828)	0
Excess (Deficiency) of Revenues Over Expenditures	0	(256,402)	(256,402)	(256,402)	0
Other Financing Sources (Uses):					
Proceeds of loans		1,065,000	1,065,000	1,065,000	0
Total Other Financing Sources (Uses)	0	1,065,000	1,065,000	1,065,000	0
Net Change in Fund Balances	0	808,598	808,598	808,598	0
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	0	808,598	808,598	808,598	0

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Notes to the Required Supplementary Information

(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.

WEST TALLAHATCHIE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

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

Schedule 5

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Numbe</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Non-cash assistance: Food Donation	10.550	39,742
Child Nutrition Cluster:		
School Breakfast Program	10.553	153,708
National School Lunch Program	10.555	373,002
Summer food service program for children	10.559	<u>46,329</u>
Total Nutrition Cluster		<u>573,039</u>
Child and adult care food program	10.558	<u>6,041</u>
Total Passed through Mississippi Department of Education		<u>618,822</u>
Total U.S. Department of Agriculture		<u>618,822</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>48,777</u>
Total Federal Communication Commission		<u>48,777</u>
<u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education grants to states	84.027	328,136
Special education - preschool grants	84.173	<u>22,514</u>
Total Special Education Cluster		<u>350,650</u>
Title 1 grants to local educational agencies	84.010	862,793
Career and Technical Education - Basic Grants to States	84.048	19,550
Safe and drug-free schools and communities- state grants	84.186	20,532
Twenty-First Century Community Learning Centers	84.287	280,471
Teacher Quality Enhancement Grants	84.336	2,800
Reading First State Grants	84.357	161,511
Rural education	84.358	48,195
Improving teacher quality - state grants	84.367	210,488
Hurricane Education Recovery	84.938	<u>40,365</u>
Total Passed through Mississippi Department of Education		<u>1,997,355</u>
Total U.S. Department of Education		<u>1,997,355</u>

Corporation for National and Community Service		
Passed through Mississippi Department of Education		
Learn and Serve America - School and Community Based Programs	94.004	<u>3,937</u>
Total Passed through Mississippi Department of Education		<u>3,937</u>
Total Corporation for National and Community Service		<u>3,937</u>
Total for All Federal Awards		<u><u>2,668,891</u></u>

NOTES TO SCHEDULE

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

WEST TALLAHATCHIE SCHOOL DISTRICT

Schedule 6

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

Functions/Programs	Total	Instructional and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,281,394	\$ 5,181,063	\$ 626,840	450,626	\$ 1,022,865
Other expenditures	3,711,291	869,028	356,602	23,623	2,462,038
Total	\$ 10,992,685	\$ 6,050,091	\$ 983,442	474,249	\$ 3,484,903
Total number of students:	1,952				
Cost per student:	\$ <u>5,631</u>	\$ <u>3,099</u>	\$ <u>504</u>	\$ <u>243</u>	\$ <u>1,785</u>

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

Instruction - 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 functions; Support Services - School Administration (2400s)

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

include 100 and 200 range object codes on the "Salary and fringe benefits" line; all other expenditures on the "Other" line.

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Tallahatchie School District as of and for the year ended June 30, 2006, which collectively comprise the West Tallahatchie School District's basic financial statements as listed in the table of contents and have issued my report thereon dated April 17, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and,

accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in black ink, appearing to be "Bob Miller", written in a cursive style.

April 17, 2008

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

Compliance

I have audited the compliance of the West Tallahatchie 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 accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the West Tallahatchie 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. However, the results of my auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the Schedule of Findings and Questioned Costs as Finding 06-1.

Internal Control Over Compliance

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

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

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



April 17, 2008

WEST TALLAHATCHIE SCHOOL DISTRICT

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

WEST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
West Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the West Tallahatchie School District as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the West Tallahatchie School District, and have issued my report thereon dated April 17, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$38,224 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.



April 17, 2008

WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WEST TALLAHATCHIE SCHOOL DISTRICT

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WEST TALLAHATCHIE 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 general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose 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 opinion issues on compliance for major programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. The major programs were: | |
| Child Nutrition Cluster | |
| School Breakfast Program | - CFDA 10.553 |
| National School Lunch Program | - CFDA 10.555 |
| Summer Food Service Program for Children | - CFDA 10.559 |
| Special Education Cluster | |
| Special Education Grants to States | - CFDA 84.027 |
| Special Education - Preschool Grants | - CFDA 84.173 |
| Title 1 Grants to Local Educational Agencies | - CFDA 84.010 |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No |

Section 2: Findings Related to the Financial Statements

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

Section 3: Findings and Questioned Cost for Federal Awards

2006-1. Finding

Program: Title 1 Grants to Local Educational Agencies - CFDA # 84.010
U.S. Department of Education; passed-through the
Mississippi Department of Education

Compliance requirement: Cash Management

The district requested funds for the month of June which exceeded immediate needs by \$85,908. This was a one time mistake for the year and is not considered to be a material weakness in the internal control over cash management.

Recommendation

The district should comply with federal guidelines which require funds to be drawn down only to cover immediate needs of the program.

WEST TALLAHATCHIE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

WEST TALLAHATCHIE SCHOOL DISTRICT

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