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**Enterprise School District**

Audited Financial Statements  
June 30, 2007

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

FINANCIAL AUDIT REPORT

**Enterprise School District  
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**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
Enterprise School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2007, which collectively comprise the Enterprise School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Enterprise School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District, as of June 30, 2007, 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 our report dated November 30, 2007, on my consideration of the Enterprise School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 43 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, PC  
November 30, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ENTERPRISE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Enterprise School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$385,659, which represents an 9% increase from fiscal year 2006.
- General revenues account for \$5,849,035 in revenue, or 84% of all revenues. This amount was more when compared to the general revenues reported for the year 2006, which consisted of \$5,582,345 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$1,104,643 or 16% of total revenues compared with \$1,154,474 in 2006.
- The District had \$6,568,019 in expenses, an amount that slightly increased when compared with the \$6,466,898 in expenses for the prior year; only \$1,104,643 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,849,035 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,573,649 in revenues and \$5,351,582 in expenditures. In 2006 the General Fund had \$5,233,935 in revenues and \$4,995,652 in expenditures. The General Fund's fund balance increased \$454,945 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$321,743.
- Long-term debt decreased by \$134,168 mainly due to the principal retirement of debt.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 16 and 17 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 20 and 24, 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 18 and 22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 25.

**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 26-42 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 special revenue fund. This required supplementary information can be found on pages 43-47 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 49 and 50 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 \$5,188,084 as of June 30,

2007.

The District's net assets (38%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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, 2007 and 2006.

	2007	2006	Percentage Change
<b>Assets</b>			
Current assets	\$ 3,266,129	2,934,709	11%
Capital assets, net	4,578,053	4,256,310	8%
<b>Total assets</b>	<b>7,844,182</b>	<b>7,191,019</b>	<b>9%</b>
<b>Liabilities</b>			
Current liabilities	18,299	21,105	-13%
Long-term liabilities	2,637,799	2,766,000	-5%
<b>Total liabilities</b>	<b>2,656,098</b>	<b>2,787,105</b>	<b>-5%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	1,975,381	1,653,638	19%
Restricted	2,045,287	2,559,791	-20%
Unrestricted	1,167,416	190,485	513%
<b>Total Net Assets</b>	<b>\$ 5,188,084</b>	<b>4,403,914</b>	<b>18%</b>

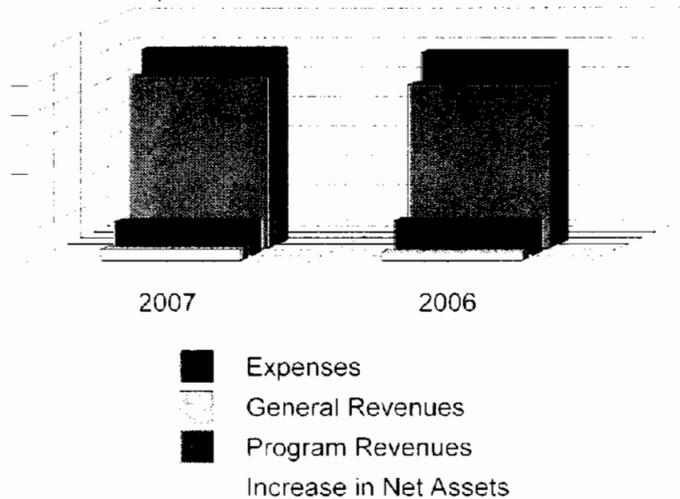
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$134,168 of long-term debt.
- The completed construction of \$1,928,100.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2007 were \$6,953,678. The total cost of all programs and services was \$6,568,019. The following chart presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

	2007	2006	Percentage Change
<b>Revenues</b>			
<b><u>Program Revenues</u></b>			
Charges for services	\$ 405,992	393,435	3%
Operating Grants and Contributions	671,013	733,805	-9%
Capital Grants and Contributions	27,638	27,234	1%
Total Program Revenues	1,104,643	1,154,474	-4%
<b><u>General Revenues</u></b>			
Property Taxes	1,684,931	1,575,644	7%
Unrestricted Grants and Contributions	3,726,407	3,574,277	4%
Unrestricted Investment Earnings	88,041	68,827	28%
Sixteenth Section Sources	191,903	298,685	-36%
Other	157,753	64,912	143%
Total General Revenues	5,849,035	5,582,345	5%
<b>Total revenues</b>	<b>6,953,678</b>	<b>6,736,819</b>	<b>3%</b>
<b>Expenses</b>			
Instruction	4,047,506	4,054,356	0%
Support services	2,014,064	1,910,457	5%
Non-instructional	391,253	356,764	10%
Sixteenth section	61,092	91,590	-33%
Interest on long-term liabilities	54,104	53,731	1%
<b>Total expenses</b>	<b>6,568,019</b>	<b>6,466,898</b>	<b>2%</b>
Increase (Decrease) in net assets	385,659	269,921	43%
Net Assets, July 1	4,403,914	4,138,628	6%
Prior Period Adjustment	398,509	(4,635)	-1%
Rounding Difference	2		
Net Assets, June 30	\$ 5,188,084	4,403,914	18%

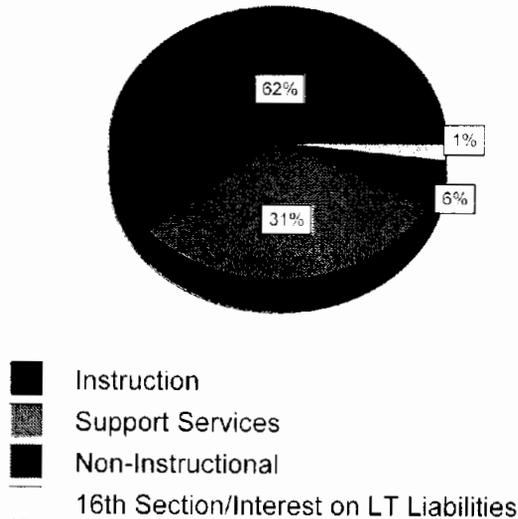
Comparative Chart of Statement of Activities Data



**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.

	2007 Expenses	2006 Expenses	2007 Net (Expense) Revenue	2006 Net (Expense) Revenue
Instruction	\$ 4,047,506	4,054,356	(3,386,430)	(3,373,168)
Support Services	2,014,064	1,910,457	(2,001,340)	(1,867,533)
Non-Instructional	391,253	356,764	26,707	33,474
Sixteenth Section	61,092	91,590	(48,209)	(51,466)
Interest on Long-Term Liabilities	54,104	53,731	(54,104)	(53,731)
	<u>\$ 6,568,019</u>	<u>6,466,898</u>	<u>(5,463,376)</u>	<u>(5,312,424)</u>

Expenses as per Statement of Activities



- Net cost of governmental activities (\$5,463,376), was financed by general revenue, which is made up of primarily property taxes \$(1,684,931) and state revenue \$(3,709,710).
- Sixteenth section sources accounted for \$191,903 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 \$3,258,029, a decrease of \$69,069. \$2,974,577 or 91% 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 \$283,452 or 9% 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 \$454,945, a result of increased operating transfers in to provide funds for operating activities. The decrease in the Sixteenth Section Interest Fund was \$109,321, due primarily to an increase in transfers out. The fund balance of Other Governmental Funds showed a decrease of \$555,916 mainly due to an increase in expenditures and other financing uses.

## **BUDGETARY HIGHLIGHTS**

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

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

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

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the District's total capital assets were \$6,027,866, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$401,024 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$1,449,813 and total depreciation expense for the year was \$168,597, resulting in total net capital assets of \$4,578,053.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 155,430	155,430	0%
Construction in progress	-	1,573,532	-100%
Buildings	4,018,378	2,181,378	84%
Improvements other than buildings	23,233	25,556	-9%
Mobile equipment	360,446	293,711	23%
Furniture and equipment	20,566	26,703	-23%
	\$ 4,578,053	4,256,310	8%

Additional information of the District's capital assets can be found in Note 4 on page 36 of this report.

**Debt Administration.** At June 30, 2007, the District had no general obligation bonds outstanding and \$2,637,799 in other long-term debt outstanding, of which \$139,168 is due within one year. The District maintains an AA bond rating.

			Percentage Change
	2007	2006	
Certificates of participation payable	\$ 842,000	961,000	-12%
QZAB	1,700,000	1,700,000	0%
Other loans payable	60,672	75,840	-20%
Compensated absences	35,127	29,160	20%
	\$ 2,637,799	2,766,000	-5%

Additional information of the District's long-term debt can be found in Note 5 on page 37 of this report.

## CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges of the future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Enterprise School District, 503 River Road, Enterprise, MS 39330.

FINANCIAL STATEMENTS

**ENTERPRISE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2007**

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 2,165,488
<i>Cash with fiscal agents</i>	1,408
<i>Investments</i>	921,406
<i>Due from other governments</i>	129,967
<i>Inventories and prepaid items</i>	8,660
<i>Restricted assets</i>	39,200
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	155,430
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	4,018,378
<i>Improvements other than buildings</i>	23,233
<i>Mobile equipment</i>	360,446
<i>Furniture and equipment</i>	20,566
<b>Total Assets</b>	<u>7,844,182</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	8,100
<i>Interest payable on long-term liabilities</i>	10,199
<b>Long-term liabilities (due within one year):</b>	
<i>Capital related liabilities</i>	139,168
<b>Long-term liabilities (due beyond one year)</b>	
<i>Capital related liabilities</i>	2,463,504
<i>Non-capital related liabilities</i>	35,127
<b>Total Liabilities</b>	<u>2,656,098</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,975,381
Restricted For:	
School - based activities	1,504,047
Debt Service	361,690
Capital Improvements	18,260
Forestry Improvements	55,244
Unemployment Benefits	61,849
Sixteenth section	
Expendable	4,997
Nonexpendable	39,200
Unrestricted	1,167,416
<b>Total Net Assets</b>	<u>\$ 5,188,084</u>

The accompanying notes are an integral part of this statement.

**ENTERPRISE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government					
Governmental Activities:					
<i>Instruction</i>	4,047,506	224,687	408,751	27,638	(3,386,430)
<i>Support services</i>	2,014,064	--	12,724	--	(2,001,340)
<i>Noninstructional services</i>	391,253	168,422	249,538	--	26,707
<i>Sixteenth section</i>	61,092	12,883	--	--	(48,209)
<i>Interest on long-term liabilities</i>	54,104	--	--	--	(54,104)
Total Primary Government	\$ 6,568,019	\$ 405,992	\$ 671,013	\$ 27,638	(5,463,376)
General Revenues:					
Taxes:					
<i>General purpose levies</i>					1,580,668
<i>Debt purpose levies</i>					104,263
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					3,709,710
<i>Federal</i>					16,697
<i>Unrestricted investment earnings</i>					88,041
<i>Sixteenth section sources</i>					191,903
<i>Other</i>					157,753
Total general revenues					5,849,035
Change in Net Assets					385,659
Net Assets - Beginning					4,403,914
Prior Period Adjustment					398,509
Net Assets - Restated					4,802,423
Net Assets - Ending					\$ 5,188,084

The accompanying notes are an integral part of this statement.

**ENTERPRISE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	General Fund	Sixteenth Section Interest Funds
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 745,964	\$ 999,517
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	386,633
<i>Due from other governments</i>	68,515	--
<i>Due from other funds</i>	24,586	--
<i>Inventories and prepaid items</i>	--	--
<b>Total Assets</b>	<b>\$ 839,065</b>	<b>\$ 1,386,150</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 100	\$ 8,000
<i>Due to other funds</i>	18,761	--
<b>Total Liabilities</b>	<b>18,861</b>	<b>8,000</b>
<b>Fund balances:</b>		
<b>Reserved for:</b>		
<i>Inventory</i>	--	--
<i>Ad valorem</i>	113,502	--
<i>Unemployment</i>	--	--
<i>Forestry</i>	--	--
<i>Permanent funds</i>	--	--
<b>Unreserved, undesignated, reported in:</b>		
<i>General fund</i>	706,702	--
<i>Special Revenue funds</i>	--	1,378,150
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<b>Total Fund Balances</b>	<b>820,204</b>	<b>1,378,150</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 839,065</b>	<b>\$ 1,386,150</b>

EXHIBIT C

QZAB DSF	Other Governmental Funds	Total Governmental Funds
\$ --	\$ -- 459,207	\$ 2,204,688
1,408	--	1,408
534,773	--	921,406
--	33,675	102,190
--	22,103	46,689
--	8,660	8,660
<u>\$ 536,181</u>	<u>\$ 523,645</u>	<u>\$ 3,285,041</u>
\$ --	\$ --	\$ 8,100
--	-- 151	18,912
<u>--</u>	<u>151</u>	<u>27,012</u>
--	8,660	8,660
--	--	113,502
--	61,849	61,849
--	55,244	55,244
--	44,197	44,197
--	--	706,702
--	-- 117,239	1,495,389
--	-- 18,260	18,260
536,181	218,045	754,226
<u>536,181</u>	<u>523,494</u>	<u>3,258,029</u>
<u>\$ 536,181</u>	<u>\$ 523,645</u>	<u>\$ 3,285,041</u>

**ENTERPRISE SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances - governmental funds balance sheet	\$ 3,258,029
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,578,053
Liabilities due in one year	(139,168)
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,700,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,199)
Payables for loans not due in the current period are not reported in the funds.	(45,504)
Payables for compensated absences not due in current period are not reported in the funds.	(35,127)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	<u>(718,000)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 5,188,084</u>

The accompanying notes are an integral part of this statement.

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**ENTERPRISE SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Sixteenth Section Interest Funds
Revenue:		
Local sources	\$ -1,893,035	\$ 14,205
State sources	3,663,917	--
Federal sources	16,697	--
Sixteenth section sources	--	188,042
Total revenues	<u>5,573,649</u>	<u>202,247</u>
Expenditures:		
Instruction	3,298,119	--
Support services	1,865,294	--
Noninstructional services	--	--
Sixteenth section	--	--
Facilities acquisition and construction	3,442	--
Debt service:		
Principal	134,168	--
Interest	50,559	--
Total expenditures	<u>5,351,582</u>	<u>--</u>
Excess (deficiency) of revenues (over) expenditures	222,067	202,247
Other financing sources (uses):		
Sale of transportation equipment	1,253	--
Operating transfers in	231,625	--
Other financing sources	--	--
Operating transfers out	--	(311,568)
Other financing uses	--	--
Total other financing sources (uses)	<u>232,878</u>	<u>(311,568)</u>
Net change in fund balance	454,945	(109,321)
Fund Balances:		
July 1, 2006	365,259	1,487,471
Prior period adjustments	--	--
July 1, 2006 as restated	<u>365,259</u>	<u>1,487,471</u>
Increase (decrease) in reserve for inventory	--	--
June 30, 2007	<u>\$ 820,204</u>	<u>\$ 1,378,150</u>

The accompanying notes are an integral part of this statement.

	QZAB DSF	Other Governmental Funds	Total Governmental Funds
\$	21,223	\$ 275,372	\$ 2,203,835
	-	160,283	3,824,200
	-	584,161	600,858
	-	16,744	204,786
	<u>21,223</u>	<u>1,036,560</u>	<u>6,833,679</u>
	-	511,662	3,809,781
	-	239,766	2,105,060
	-	380,307	380,307
	-	61,092	61,092
	-	359,592	363,034
	-	--	134,168
	-	--	50,559
	<u>-</u>	<u>1,552,419</u>	<u>6,904,001</u>
	21,223	(515,859)	(70,322)
	-	--	1,253
	-	525,577	757,202
	120,000	--	120,000
	-	(445,634)	(757,202)
	-	(120,000)	(120,000)
	<u>120,000</u>	<u>(40,057)</u>	<u>1,253</u>
	141,223	(555,916)	(69,069)
	-	1,073,494	2,926,224
	<u>394,958</u>	<u>-</u>	<u>394,958</u>
	394,958	1,073,494	3,321,182
	-	5,916	5,916
\$	<u>536,181</u>	<u>\$ 523,494</u>	<u>\$ 3,258,029</u>

**ENTERPRISE SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$ (69,069)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	490,274
The depreciation of capital assets used in governmental activities is not reported in the funds.	(168,597)
The gain or loss on the sale of capital assets is not reported in the funds.	(2,232)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,253)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	119,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	15,168
(Increase) decrease in accrued interest from beginning of period to end of period	2,422
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	5,916
Compensated absences are reported as amount earned in the SOA but as amount paid in the funds.	(5,967)
Rounding adjustment	- (3)
Change in net assets of governmental activities - statement of activities	\$ 385,659

The accompanying notes are an integral part of this statement.

**ENTERPRISE SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
Cash and cash equivalents	\$ 326,817
<b>Total Assets</b>	<b><u>\$ 326,817</u></b>
<b>LIABILITIES</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 277,075
Due to student clubs	21,965
Due to other funds	27,777
<b>Total Liabilities</b>	<b><u>\$ 326,817</u></b>

The accompanying notes are an integral part of this statement.

**Enterprise School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

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

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

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 exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

OZAB Debt Service Fund - This fund accounts for annual deposits to be paid to the Qualified Zone Academy Bonds Fund.

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

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

## Enterprise School District

### Notes to the Financial Statements For the Year Ended June 30, 2007

from approved purchase orders, work orders and contracts.

#### F. Cash and Cash Equivalents.

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

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

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

## Enterprise School District

### Notes to the Financial Statements For the Year Ended June 30, 2007

appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

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

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

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

(\*) The threshold 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 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 on year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

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 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 of interfund transactions, including receivables and payables at year-end

### L. Equity Classifications.

#### ***Government-wide Financial Statements:***

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

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

Reserved for 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.

## Enterprise School District

### Notes to the Financial Statements For the Year Ended June 30, 2007

Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

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

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

Unreserved, undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

#### M. Property Taxes.

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

#### N. Mississippi Adequate Education Program Revenues.

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

#### O. Compensated Absences.

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

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

## Enterprise School District

### Notes to the Financial Statements For the Year Ended June 30, 2007

financial resources only if the payable has matured, for example, an employee retires.

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (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 district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,204,688 and \$326,817 respectively. The

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$2,165,488 and restricted assets \$39,200. The restricted assets represent the cash balance of the Sixteenth Section Principal Funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,277,183.

*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, 2007, none of the district's bank balance of \$3,277,183 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institution was \$1,408.

Investments.

As of June 30, 2007, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government Obligations	1	\$ 534,772	
Certificates of deposit	1	<u>386,634</u>	Aaa
		921,406	

*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. Of the district's investments, \$921,406 of underlying securities are held by

**Enterprise School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

the investment's counterparty, not in the name of the district. As of June 30, 2007, 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, 2007, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Government Obligations	\$ 534,772	58%
Certificate of Deposit	386,634	42%
	<u>\$ 921,406</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 24,586	18,761
Other Governmental Funds	22,103	151
Agency Funds	0	27,777
Total Funds	<u>\$ 46,689</u>	<u>46,689</u>

Interfund loans exist primarily to avoid a deficit cash balance the funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds:		
General fund	\$ 231,625	0
Sixteenth Section Interest Fund	0	311,568
Other governmental funds	<u>525,577</u>	<u>445,634</u>
Total Funds	<u>\$ 757,202</u>	<u>757,202</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

### (4) Capital Assets.

The following is a summary of changes in capital assets for governmental activities:  
Depreciation expense was charged to the following governmental functions:

	Balance 07-01-06	Additions	Retirements	Completed Construction	Adjustments	Balance 06-30-07
Non-depreciable capital assets:						
Land	\$ 155,430					155,430
Construction in progress	1,573,532	354,568		(1,928,100)		-
Total non-depreciable capital assets	1,728,962	354,568	-	(1,928,100)	-	155,430
Depreciable capital assets:						
Buildings	2,865,109			1,928,100		4,793,209
Improvements other than buildings	58,082					58,082
Mobile equipment	767,099	126,947	78,500			815,546
Furniture and equipment	207,590	8,759			(10,750)	205,599
Total depreciable capital assets	3,897,880	135,706	78,500	1,928,100	(10,750)	5,872,436
Less accumulated depreciation for:						
Buildings	683,731	91,100				774,831
Improvements other than buildings	32,526	2,323				34,849
Mobile equipment	473,388	67,977	75,015		(11,250)	455,100
Furniture and equipment	180,887	7,197			(3,051)	185,033
Total accumulated depreciation	1,370,532	168,597	75,015	-	(14,301)	1,449,813
Total depreciable capital assets, net	2,527,348	(32,891)	3,485	1,928,100	3,551	4,422,623
Governmental activities capital assets, net	\$ 4,256,310	321,677	3,485	-	3,551	4,578,053

	Amount
Instruction	\$118,018
Support services	33,719
Non-Instructional	16,860
<b>Total depreciation expense</b>	<b><u>\$168,597</u></b>

The adjustment of \$3,551 was for a truck and a bus shown on prior years asset list twice and were depreciated beyond salvage value in the prior year.

### (5) Long-term liabilities.

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

**Enterprise School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

governmental activities:

	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007	Amounts due within one year
A. Certificates of participation payable	\$ 961,000		119,000	842,000	124,000
B. QZAB	1,700,000			1,700,000	
C. Other loans payable	75,840		15,168	60,672	15,168
D. Compensated absences payable	29,160	5,967		35,127	
Total	\$ 2,766,000	5,967	134,168	2,637,799	139,168

A. Certificates of Participation Payable.

As more fully explained in Note 9, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1998 building project- Trust certificate	4.8	05-28-98	4/1/2013	\$ 950,000	461,000
1999 building project Trust certificate	4.9	10-19-99	4/1/2013	750,000	381,000
Total				\$ 1,700,000	842,000

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

Year Ending June 30,	Principal	Interest	Total
2008	\$124,000	40,797	164,797
2009	130,000	34,789	164,789
2010	137,000	28,490	165,490
2011	144,000	21,852	165,852
2012	150,000	14,875	164,875
2013	157,000	7,607	164,607
Total	\$842,000	148,410	990,410

✓ This debt will be retired from the general fund.

B. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

**Enterprise School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2004	2.5%	08-12-04	08-12-18	\$ 1,700,000	1,700,000
Total				\$ <u>1,700,000</u>	<u>1,700,000</u>

This debt will be retired from the QZAB Fund.

C. Other loans payable.

The school district has issued debt instruments granted under Section 37-59-101 of the Mississippi State Code.

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>
Installment Promissory Note	5.20%	5/6/01	4/6/11	\$ 151,680	60,672
Total				\$ <u>151,680</u>	<u>60,672</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,168	3,155	18,323
2009	15,168	2,366	17,534
2010	15,168	1,577	16,745
2011	15,168	789	15,957
Total	\$ <u>60,672</u>	<u>7,887</u>	<u>68,559</u>

This debt will be retired from the general fund.

D. Compensated absences payable.

As more fully explained in Note 1 (O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972).

Compensated absences will be paid from the fund from which the employees' salaries were paid.

(6) Defined Benefit Pension Plan.

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007 was 11.30% of the annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$415,265, \$387,883, and \$346,245, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30,	Amount
2008	\$ 42,802
2009	15,000
Total	\$ <u>57,802</u>

(8) 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

## Enterprise School District

Notes to the Financial Statements  
For the Year Ended June 30, 2007

coverage in any of the past three fiscal years.

### Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and one community college and covers risks of loss arising from injuries to the member'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 in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. 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.

### (9) Trust Certificates.

A trust agreement dated May 29, 1998, and October 19, 1999, was executed by and between the school district and East Central Mississippi Non-Profit Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 and \$750,000. Approximately \$1,680,516 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,484 was used to pay the 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 trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated 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 responsibility of the school district. See Note 5A for details regarding the Enterprise School District debt service requirement on the trust certificates.

### (10) Qualified Zone Academy Bonds.

**Enterprise School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2007

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement dated 08-12-2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before August 11. The amount accumulated in the sinking fund at the end of the period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2008	\$ 117,029
2009	117,029
2010	117,029
2011	117,029
2012	117,029
2013 - 2016	
Total	\$ <u>585,145</u>

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To show QZAB cash with fiscal agent not recorded by the District prior to FY 07.	\$ 394,958
2. To correctly state capital assets.	<u>3,551</u>
Total	\$ <u>398,509</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
Other governmental funds	See explanation above.	\$ <u>394,958</u>
Total		\$ <u>394,958</u>

REQUIRED SUPPLEMENTARY INFORMATION

**ENTERPRISE SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2007

Exhibit I

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,666,502	1,895,989	1,893,035	229,487	(2,954)
State sources	3,675,636	3,663,917	3,663,917	(11,719)	0
Federal sources	17,308	16,697	16,697	(611)	0
<b>Total Revenues</b>	<b>5,359,446</b>	<b>5,576,603</b>	<b>5,573,649</b>	<b>217,157</b>	<b>(2,954)</b>
<b>Expenditures:</b>					
Instruction	3,035,891	3,299,042	3,298,119	(263,151)	923
Support services	1,828,398	1,865,294	1,865,294	(36,896)	0
Sixteenth section	23,200			23,200	0
Facilities Acquisition and Construction		3,442	3,442		
<b>Debt service:</b>					
Principal				0	0
Interest	134,168	134,168	134,168	0	0
Other	51,295	50,559	50,559	736	0
<b>Total Expenditures</b>	<b>5,072,952</b>	<b>5,352,505</b>	<b>5,351,582</b>	<b>(279,553)</b>	<b>923</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>286,494</b>	<b>224,098</b>	<b>222,067</b>	<b>(62,396)</b>	<b>(2,031)</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries				0	0
Sale of transportation equipment		1,253	1,253	1,253	0
Operating transfers in	75,000	478,219	231,625	403,219	(246,594)
Operating transfers out	(196,900)	(246,591)		(49,691)	246,591
<b>Total Other Financing Sources (Uses)</b>	<b>(121,900)</b>	<b>232,881</b>	<b>232,878</b>	<b>354,781</b>	<b>3</b>
<b>Net Change in Fund Balances</b>	<b>164,594</b>	<b>456,979</b>	<b>454,945</b>	<b>292,385</b>	<b>(2,034)</b>
<b>Fund Balances:</b>					
July 1, 2006			365,259	0	365,259
Prior period adjustments (Note )				0	0
July 1, 2006, as restated	0	0	365,259	0	365,259
<b>June 30, 2007</b>	<b>\$ 164,594</b>	<b>456,979</b>	<b>820,204</b>	<b>292,385</b>	<b>363,225</b>

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

**ENTERPRISE SCHOOL DISTRICT**

Budgetary Comparison Schedule

Sixteenth Section Interest Funds

For the Year Ended June 30, 2007

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources		14,204	14,205	14,204	1
Sixteenth section sources	58,138	153,406	188,042	95,268	34,636
Total Revenues	58,138	167,610	202,247	109,472	34,637
<b>Expenditures:</b>					
Sixteenth Section	0	0	0	0	0
Total Expenditures	0	0	0	0	0
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	58,138	167,610	202,247	109,472	34,637
<b>Other Financing Sources (Uses):</b>					
Operating Transfers Out	(260,000)	(311,568)	(311,568)		
Total Other Financing Sources (Uses)	(260,000)	(311,568)	(311,568)	(51,568)	0
<b>Net Change in Fund Balances</b>	(201,862)	(143,958)	(109,321)	57,904	34,637
<b>Fund Balances:</b>					
July 1, 2006			1,487,471	0	1,487,471
Prior period adjustments (Note )	0	0		0	0
July 1, 2006, as restated	0	0	1,487,471	0	1,487,471
<b>June 30, 2007</b>	<b>\$ (201,862)</b>	<b>(143,958)</b>	<b>1,378,150</b>	<b>57,904</b>	<b>1,522,108</b>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Enterprise School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2007

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

**Enterprise School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE/</b>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$24,096
Child Nutrition Cluster:		
School Breakfast Program	10.553	50,619
National School Lunch Program	10.555	174,823
Total Child Nutrition cluster		<hr/> 225,442
Total passed-through the MDE		<hr/> 225,442
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<hr/> <b>249,538</b> <hr/>
<b>FEDERAL COMMUNICATION COMMISSION</b>		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	16,697
Total Federal Communication Commission		<hr/> 16,697
<b>U. S. DEPARTMENT OF EDUCATION/</b>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	120,370
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,665
State Grants for Innovative Programs	84.298	1,551
Education Technology - State Grants	84.318	2,007
Improving teacher quality - State Grants	84.367	32,482
Special Education Cluster:		
Special Education - Grants to States	84.027	164,500
Special Education - Preschool Grants	84.173	11,048
Total Special Education Cluster		<hr/> 175,548
Total passed-through the MDE		<hr/> 334,623
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<hr/> <b>334,623</b> <hr/>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<hr/> <b>\$600,858</b> <hr/>

Notes to Schedule

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

## Enterprise School District

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2007

Schedule 2

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 4,850,806	3,686,374	328,709	310,494	525,229
Other	2,053,195	389,477	107,443	3,857	1,552,418
Total	\$ 6,904,001	4,075,851	436,152	314,351	2,077,647

Total number of students \* 877

Cost per student \$ 7,872 4,647 497 358 2,369

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

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

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

**School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)

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

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

Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

Superintendent and School Board  
Enterprise School District

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in the internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies

AICPA & MSCPA

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in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described above in Finding 2007-1 to be a 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 that are required to be reported under *Government Auditing Standards*.

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



J.E. Fortenberry, III, PC  
November 30, 2007

Certified Public Accountant

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

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

Superintendent and School Board  
Enterprise School District

Compliance

I have audited the compliance of the Enterprise 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, 2007. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Enterprise 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, 2007.

Internal Control Over Compliance

The management of the Enterprise 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



J.E. Fortenberry, III, PC  
November 30, 2007

Certified Public Accountant

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

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

Superintendent and School Board  
Enterprise School District

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

Section 37-9-18(3)(a), 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(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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$20,954 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

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



J.E. Fortenberry, III, PC  
November 30, 2007

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

## Enterprise School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2007

#### Section 1: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_\_\_.510(a) of OMB Circular A-133? No.
7. Federal programs tested as major programs:
  - a. Child Nutrition Cluster:  
CFDA# 10.553  
CFDA# 10.555
  - b. Title I Grants to Local Educational Agencies:  
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_.315(b) of OMB Circular A-133? No.

#### Section 2: Findings Relating to the Financial Statements

The results of our tests disclosed the following finding related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weakness:

OZAB Payments Toward Investment Account Not Recorded in Centralized Accounting

**Finding 2007-1**

Management is responsible for ensuring that all monies received and expended are stated by the District in its centralized accounting records. This is done to ensure funds received were placed in the appropriate fund and expended as budgeted. Note 10 in the Notes to the Financial Statements describes the Qualified Zone Academy Bonds agreement between the District and a financier regarding payment arrangements to be performed in order to sufficiently retire said debt. Annually, the District makes a predetermined payment to a fiscal agent who in turn invests the funds. Overall, the District is responsible for tracking both payments to this fiscal agent and also record investment earnings. Audit procedures noted that this bank account was not recorded in the county's centralized accounting records even though it was registered under the District's taxpayer identification number. At the end of the fiscal year, the account totaled \$536,180.68, of which \$46,180.68 was investment income earned since the inception of the account. Failure to record District transactions properly could result in a material misstatement and adversely affect proper reporting of the financial statements.

Recommendation

The District should record the audit adjustments proposed in the proper fund to ensure a proper fund account balance for the following fiscal year. Furthermore, close scrutiny should be paid to this bank account to ensure account activity is recorded in an accurate and timely manner in the District's centralized accounting records.

School District's Response:

The School District is working on this.

Section 3: Findings and Questioned Costs for Federal Awards

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

**Enterprise School District**  
503 River Road  
Enterprise, MS 39330  
**Arthur H. McMillan - Superintendent**  
**Karen Benefield- Business Manager**

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(b) of OMB Circular A-133, the Enterprise School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2007:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2007-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Arthur H. McMillan title: Superintendent phone number: 601-659-7965</p> <p>b. Corrective Action Planned:</p> <p>The School will record the audit adjustments and will make sure that account activity is recorded in an accurate and timely manner in the District's centralized accounting records.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2008</p>