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**ALCORN SCHOOL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**



**ALCORN SCHOOL DISTRICT  
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JUNE 30, 2006**

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**Certified Public Accountants**

A. Braddock Brawner, CPA  
W. T. Vanstory, CPA  
Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

Brenda G. Nichols, CPA

512 Taylor Street  
AmSouth Bank Building  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

106 South First Street  
Post Office Box 540  
Booneville, Mississippi 38829  
Telephone (662) 728-6172  
Fax (662) 728-6176

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

Superintendent and School Board  
Alcorn School District

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the Alcorn 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 and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 33 through 38 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alcorn 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Brammer Vanotory & Company, P.A.*

December 14, 2007  
Corinth, Mississippi

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

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

**FINANCIAL HIGHLIGHTS**

Total net assets decreased \$602,035, which represents a 4.80% decrease from fiscal year 2005.

General revenues account for \$23,907,249 in revenue, or 83.16% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,842,087 or 16.84% of total revenues.

The District had \$29,351,368 in expenses; only \$4,842,087 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$23,907,246 were not adequate to provide for these programs, as the District had to utilize \$602,035 of fund balance.

Among major funds, the General Fund had \$22,991,546 in revenues and \$23,826,753 in expenditures. The General Fund's fund balance decreased \$416,412 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$208,018.

Long-term debt decreased by \$37,632.

**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.

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

**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.

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

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

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

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

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

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found in this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$11,930,961 as of June 30, 2006.

By far the largest portion of the District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases), 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.

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

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. Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2006, compared to June 30, 2005.

**Table 1 - Condensed Statement of Net Assets**

	2006	2005	Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 3,106,047	\$ 3,550,623	\$ (444,576)	-12.52%
Capital Assets, Net	15,779,117	15,987,135	(208,018)	-1.30%
<b>Total Assets</b>	<b>18,885,164</b>	<b>19,537,758</b>	<b>(652,594)</b>	<b>-3.34%</b>
Current Liabilities	681,357	159,481	521,876	327.23%
Long-Term Debt Outstanding	6,272,846	6,845,281	(572,435)	-8.36%
<b>Total Liabilities</b>	<b>6,954,203</b>	<b>7,004,762</b>	<b>(50,559)</b>	<b>-0.72%</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	9,212,188	9,379,733	(167,545)	-1.79%
Restricted	884,542	1,315,434	(430,892)	-32.76%
Unrestricted	1,834,231	1,837,829	(3,598)	-0.20%
<b>Total Net Assets</b>	<b>\$ 11,930,961</b>	<b>\$ 12,532,996</b>	<b>\$ (602,035)</b>	<b>-4.80%</b>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 20, 2006, were \$28,749,333. The total cost of all programs and services was \$29,351,368. Table 2 presents a summary of the changes in net assets for the fiscal year ended June 30, 2006, compared to June 30, 2005:

**Table 2 - Changes in Net Assets**

	2006	2005	Increase (Decrease)	Percent Increase (Decrease)
<b>Revenues:</b>				
Program Revenues				
Charges for Services	\$ 464,749	\$ 1,411,213	\$ (946,464)	-67.07%
Operating Grants and Contributions	4,377,338	4,553,469	(176,131)	-3.87%
Capital Grants and Contributio	-	164,931	(164,931)	-100.00%
General Revenues				
Property Taxes	4,694,530	4,512,006	182,524	4.05%
Grants and Other Contributions	17,870,571	16,178,557	1,692,014	10.46%
Other	1,342,145	407,630	934,515	229.26%
<b>Total Revenues</b>	<b>28,749,333</b>	<b>27,227,806</b>	<b>1,521,527</b>	<b>5.59%</b>
<b>Expenses:</b>				
Instruction	18,515,974	17,820,435	695,539	3.90%
Support Services	8,922,693	7,751,105	1,171,588	15.12%
Non-Instructional	1,611,796	1,652,368	(40,572)	-2.46%
Interest on Long-Term Liabilities	300,905	319,688	(18,783)	-5.88%
<b>Total Expenses</b>	<b>29,351,368</b>	<b>27,543,596</b>	<b>1,807,772</b>	<b>6.56%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (602,035)</b>	<b>\$ (315,790)</b>	<b>\$ (286,245)</b>	<b>90.64%</b>

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

**Governmental activities.** The following table presents the cost of four major District functional activities: instruction, support services, non-instructional 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.

**Table 3  
Net Cost of Governmental Activities**

	Total Expenses		Total	Net (Expense) Revenue		Total
	2006	2005	Percentage Change	2006	2005	Percentage Change
Instruction	\$ 18,515,974	\$ 17,820,435	3.90%	\$ (15,989,158)	\$ (14,210,169)	-12.52%
Support Services	8,922,693	7,751,105	15.12%	(8,153,378)	(6,919,735)	-17.83%
Non-Instructional	1,611,796	1,652,368	-2.46%	(65,840)	35,609	284.90%
Interest on Long-Term Liabilities	300,905	319,688	-5.88%	(300,905)	(319,688)	5.88%
<b>Total Expenses</b>	<b>\$ 29,351,368</b>	<b>\$ 27,543,596</b>	<b>6.56%</b>	<b>\$ (24,509,281)</b>	<b>\$ (21,413,983)</b>	<b>-14.45%</b>

Net cost of governmental activities \$24,509,281 was financed by general revenue, which is made up of primarily property and privilege taxes of \$4,694,530 and state revenue of \$17,675,703.

Investment earnings accounted for \$82,874 of general revenues.

**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, outflow 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 \$3,086,490, a decrease of \$440,885. \$2,074,951 or 67.23% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,011,539 or 32.77% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$416,412. The fund balance of Other Governmental Funds, including Other Major Funds showed a decrease of \$24,473.

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

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant changes are noted below.

**General Fund**

Budgeted Revenues were adjusted primarily to reflect an increase in state revenues to cover additional teaching staff. Expenditures were adjusted to reflect employment of additional teaching staff for the growing number of students. Additional expenditures were also necessary for textbooks and supplies and salary adjustments approved after the original budget was approved.

**Major Special Revenue Funds**

All major Special Revenue funds were adjusted to reflect the final allocations from the Mississippi Department of Education. The final allocations to the District were not known until after the original budget was adopted.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$31,701,617, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$531,236 from the previous year. Total accumulated depreciation as of June 30, 2006, was \$15,922,500 and total depreciation expense for the year was \$743,754, resulting in total net assets of \$15,779,117.

Additional information of the District's capital assets can be found in this report. Table 4 shows fiscal year ended June 30, 2006, as compared to fiscal year ended June 30, 2005.

**Table 4  
Capital Assets at June 30, 2006 and 2005 (Net of Depreciation)**

	2006	2005	Increase (Decrease)	Percent Increase (Decrease)
Land	\$ 241,802	\$ 239,502	\$ 2,300	0.96%
Construction in Progress	-	-	-	
Buildings	12,489,253	12,872,201	(382,948)	-2.98%
Building Improvements	1,512,983	1,587,676	(74,693)	-4.70%
Mobile Equipment	635,218	622,636	12,582	2.02%
Furniture and Equipment	154,818	181,128	(26,310)	-14.53%
Leased Property Under Capital Assets	745,043	483,992	261,051	53.94%
<b>Totals</b>	<b>\$ 15,779,117</b>	<b>\$ 15,987,135</b>	<b>\$ (208,018)</b>	<b>-1.30%</b>

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

**Debt Administration.** At June 30, 2006, the District had \$6,807,649 in long-term debt outstanding, of which \$534,803 is due within one year.

Table 5 shows fiscal year ended June 30, 2006, as compared to fiscal year ended June 30, 2005:

**Table 5  
Long-Term Debt Outstanding at June 30, 2006 and June 30, 2005**

	2006	2005	Increase (Decrease)	Percent Increase (Decrease)
Limited Obligation Bonds Payable	\$ 5,425,000	\$ 5,735,000	\$ (310,000)	-5.41%
Three-Mill Note Payable	-	31,000	(31,000)	-100.00%
Transportation Equipment Loans Payable	230,000	345,000	(115,000)	-33.33%
Obligations Under Capital Leases	911,929	496,402	415,527	83.71%
Compensated Absences Payable	240,720	237,879	2,841	1.19%
<b>Totals</b>	<b>\$ 6,807,649</b>	<b>\$ 6,845,281</b>	<b>\$ (37,632)</b>	<b>-0.55%</b>

**CURRENT ISSUES**

The Alcorn School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The millage rate remains the same at 45.35 mills for the 2006-2007 year. The school district plans to continue its sound fiscal management to meet the challenges of the future.

The latest enrollment figures indicate that student enrollment in the District will continue to increase slightly. Therefore, no decrease in funds for the following year is expected.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Alcorn School District, P.O. Box 1420, Corinth, MS 38835.

**ALCORN SCHOOL DISTRICT**  
**Statement of Net Assets**  
**June 30, 2006**

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 1,948,233
Investments (Note 3)	288,313
Due from other governments	787,973
Inventories and prepaid items	81,528
Capital assets, not being depreciated	
Land	241,802
Capital assets, net of accumulated depreciation	
Buildings	12,489,253
Building improvements	1,512,983
Mobile equipment	635,218
Furniture and equipment	154,818
Lease property under capital leases	745,043
<b>Total Assets</b>	<b><u>\$ 18,885,164</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ -
Deferred revenue	19,557
Interest payable on long-term liabilities	126,997
Long-term liabilities, due within one year	
Capital related liabilities (Note 6)	534,803
Long-term liabilities, due beyond year	
Capital related liabilities (Note 6)	6,032,126
Non-capital related liabilities (Note 6)	240,720
<b>Total Liabilities</b>	<b><u>\$ 6,954,203</u></b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 9,212,188
Restricted net assets:	
Expendable:	
School-based activities	44,028
Debt service	755,408
Capital improvements	19,826
Unemployment benefits	65,280
Unrestricted	1,834,231
<b>Total Net Assets</b>	<b><u>\$ 11,930,961</u></b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 18,515,974	70,582	2,456,234	-	(15,989,158)
Support services	8,922,693	2,482	766,833	-	(8,153,378)
Non-instructional	1,611,796	391,685	1,154,271	-	(65,840)
Interest on long-term liabilities	300,905	-	-	-	(300,905)
<b>Total governmental activities</b>	<b>\$ 29,351,368</b>	<b>464,749</b>	<b>4,377,338</b>	<b>-</b>	<b>(24,509,281)</b>
		<b>General Revenues:</b>			
		Taxes:			
					4,362,818
					331,712
		Unrestricted grants and contributions:			-
					17,675,703
					194,868
					82,874
					1,259,271
		<b>Total General Revenues</b>			<b>23,907,246</b>
		<b>Change in Net Assets</b>			<b>(602,035)</b>
		<b>Net Assets - Beginning (Note 2)</b>			<b>12,532,996</b>
		<b>Net Assets - Ending</b>			<b>\$ 11,930,961</b>

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

**ALCORN SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2006**

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	21st Century Learning Ctr Fund	3 Mill Note Retirement Fund	MAEP Retirement Fund	Other Governmental Funds	
<b>ASSETS</b>								
Cash and cash equivalents (Note 3)	\$ 976,224	-	-	-	402,455	-	388,114	1,766,793
Investments (Note 3)	-	-	-	-	-	181,440	-	181,440
Due from other governments	269,511	106,667	138,228	120,134	10,197	288,313	143,236	1,076,286
Due from other funds (Note 4)	437,509	-	-	-	-	-	23,949	461,458
Inventories and prepaid items	-	-	-	-	-	-	81,528	81,528
<b>Total Assets</b>	<b>\$ 1,683,244</b>	<b>106,667</b>	<b>138,228</b>	<b>120,134</b>	<b>412,652</b>	<b>469,753</b>	<b>636,827</b>	<b>3,567,505</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ -	-	-	-	-	-	-	-
Due to other funds (Note 4)	23,949	106,667	138,228	120,134	-	-	72,480	461,458
Deferred revenue	-	-	-	-	-	-	19,557	19,557
<b>Total Liabilities</b>	<b>23,949</b>	<b>106,667</b>	<b>138,228</b>	<b>120,134</b>	<b>-</b>	<b>-</b>	<b>92,037</b>	<b>481,015</b>
<b>Fund Balances</b>								
<b>Reserved for:</b>								
Inventory	-	-	-	-	-	-	44,028	44,028
Prepaid items	-	-	-	-	-	-	37,500	37,500
Unemployment	-	-	-	-	-	-	65,280	65,280
Capital Projects funds	-	-	-	-	-	-	19,826	19,826
Debt Service funds	-	-	-	-	412,652	469,753	-	882,405
<b>Unreserved:</b>								
<b>Undesignated, reported in:</b>								
General fund	1,659,295	-	-	-	-	-	-	1,659,295
Special Revenue funds	-	-	-	-	-	-	378,156	378,156
<b>Total Fund Balances</b>	<b>1,659,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>412,652</b>	<b>469,753</b>	<b>544,790</b>	<b>3,086,490</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,683,244</b>	<b>106,667</b>	<b>138,228</b>	<b>120,134</b>	<b>412,652</b>	<b>469,753</b>	<b>636,827</b>	<b>3,567,505</b>

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

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

	<u>Amount</u>
<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 3,086,490</b>
<b>Amounts reported for governmental activities in the statement of net</b>	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$15,922,500 (Note 5).	15,779,117
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds (Note 6).	(6,807,649)
Interest payable on long-term liabilities not due and payable in the current period and therefore are not reported in the funds.	(126,997)
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 11,930,961</u></b>

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

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

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Funds	Title I Fund	IDEA Part B Fund	21st Century Learning Ctr Fund	3 Mill Note Retirement Fund	MAEP Retirement Fund		
<b>Revenues</b>								
Local sources	\$ 5,591,678	-	-	-	331,712	3,031	454,516	6,380,937
State sources	17,190,862	-	-	-	-	576,626	1,035,138	18,802,626
Federal sources	209,006	643,842	900,263	427,839	-	-	1,364,288	3,545,238
<b>Total Revenues</b>	<b>22,991,546</b>	<b>643,842</b>	<b>900,263</b>	<b>427,839</b>	<b>331,712</b>	<b>579,657</b>	<b>2,853,942</b>	<b>28,728,801</b>
<b>Expenditures</b>								
Instruction	15,965,464	527,159	576,233	136,387	-	-	1,378,587	18,583,830
Support services	7,858,551	115,567	324,030	46,291	-	-	334,768	8,679,207
Noninstructional services	438	1,116	-	240,026	-	-	1,343,710	1,585,290
Facilities acquisition and construction	2,300	-	-	-	-	-	-	2,300
Debt services:								
Principal	-	-	-	-	146,000	310,000	81,812	537,812
Interest	-	-	-	-	18,124	258,916	19,212	296,252
Other	-	-	-	-	1,400	1,466	-	2,866
<b>Total Expenditures</b>	<b>23,826,753</b>	<b>643,842</b>	<b>900,263</b>	<b>422,704</b>	<b>165,524</b>	<b>570,382</b>	<b>3,158,089</b>	<b>29,687,557</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(835,207)</b>	<b>-</b>	<b>-</b>	<b>5,135</b>	<b>166,188</b>	<b>9,275</b>	<b>(304,147)</b>	<b>(958,756)</b>
<b>Other Financing Sources (Uses)</b>								
Inception of capital lease	497,339	-	-	-	-	-	-	497,339
Insurance loss recoveries	20,532	-	-	-	-	-	-	20,532
Sale of transportation equipment	-	-	-	-	-	-	-	-
Operating transfers in (Note 4)	5,135	-	-	-	-	-	104,211	109,346
Operating transfers out (Note 4)	(104,211)	-	-	(5,135)	-	-	-	(109,346)
<b>Total Other Sources (Uses)</b>	<b>418,795</b>	<b>-</b>	<b>-</b>	<b>(5,135)</b>	<b>-</b>	<b>-</b>	<b>104,211</b>	<b>517,871</b>
<b>Net Change in Fund Balances</b>	<b>(416,412)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,188</b>	<b>9,275</b>	<b>(199,936)</b>	<b>(440,885)</b>
<b>Fund Balances</b>								
July 1, 2005	2,075,708	-	-	-	246,464	460,478	733,702	3,516,352
Increase in reserve for inventory	-	-	-	-	-	-	11,023	11,023
June 30, 2006	\$ 1,659,296	-	-	-	412,652	469,753	544,789	3,086,490

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

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

	<u>Amounts</u>
<b>Net change in fund balances - Governmental Funds</b>	<b>\$ (440,885)</b>
<b>Amounts reported in the statement of activities are different because:</b>	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$536,236 and the depreciation expense amounted to \$743,754. (Note 5)	(207,518)
2. Proceeds of long-term liabilities are reported in the governmental funds, but not in the statement of activities. (Note 6)	(497,339)
4. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	537,812
5. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the statement of activities	11,023
6. Losses on disposals of capital assets are not reported as expenditures in the governmental funds.	(500)
7. Proceeds from the sale of capital assets are reported as other financing sources in the governmental funds, but the net gain (loss) is reported in the statement of activities	-
8. An increase in the liability for compensated absences is reported as an expense in the statement of activities, but not in the governmental funds	(2,841)
9. Interest on long-term liabilities is recorded in the government funds when the payment is due, but is expensed in the statement of activities as accrued.	<u>(1,787)</u>
<b>Change in net assets of Governmental Activities</b>	<b><u><u>\$ (602,035)</u></u></b>

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

**ALCORN SCHOOL DISTRICT**  
**Statement of Fiduciary Net Assets**  
**June 30, 2006**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 10,391	\$ 1,171,752
<b>Total Assets</b>	<b>\$ 10,391</b>	<b>\$ 1,171,752</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ -	\$ 1,071,467
Due to student groups	-	100,285
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 1,171,752</b>
<b>Net Assets</b>		
Reserved for Endowments	\$ 10,391	
<b>Total Liabilities</b>	<b>\$ 10,391</b>	

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

Exhibit F

**ALCORN SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2006**

	<u>Private-Purpose Trust Funds</u>
<b>Additions</b>	
Interest on Investments	\$ 217
<b>Total Additions</b>	<u>217</u>
<b>Deductions</b>	
Scholarships Awarded	<u>600</u>
<b>Total Deductions</b>	<u>600</u>
<b>Change in Net Assets</b>	(383)
<b>Net Assets - Beginning of Year</b>	10,774
<b>Net Assets - End of Year</b>	<u>\$ 10,391</u>

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

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

**B. Basis of Presentation**

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

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

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

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

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

The school district reports the following major governmental funds:

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

Title I Fund - This fund is used to account for the federal resources used to provide remedial education.

IDEA Part B Fund - This fund is used to account for federal resources used to provide services for handicapped and special-needs children.

21<sup>st</sup> Century Learning Center Fund - This fund is used to account for federal resources used to operate community learning centers to provide academic enrichment opportunities for children, particularly those who attend high-poverty, low-performing schools.

3 Mill Note Retirement Fund- This fund is used to account for resources pledged to repay debt on 3 Mill Debt issues.

MAEP Note Retirement Fund - This fund is used to account for state resources pledged to repay debt obligations for limited obligation bonds payable.

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 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.

**FIDUCIARY FUNDS**

Private-Purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations, or other governments.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 operation.

**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 2006 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**E. Encumbrances**

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

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

**G. Investments**

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

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

Investments are reported at fair value.

**H. Inventories and Prepaid Items**

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

The 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets**

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

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

**J. Long-term Liabilities**

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

**K. Interfund Transactions and Balances**

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

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

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

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

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**L. Equity Classifications**

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

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

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

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

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

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

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

**M. Property Taxes**

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

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

**N. Mississippi Adequate Education Program Revenues**

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

**O. Compensated Absences**

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

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

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

**Cash and Cash Equivalents.**

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$1,766,793 and \$1,182,143, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,948,233. The bank balance was \$4,625,982.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(2) Cash and Cash Equivalents, Cash with Fiscal Agents and Investments (Continued)**

*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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$4,625,982 was exposed to custodial credit risk.

**Investments**

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

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Market Value</u>	<u>Rating</u>
Hancock Bank Treasury Money Market	Less than 1	\$ 181,440	AAA
Total Investments		<u>\$ 181,440</u>	

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

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

*Custodial Credit Risk - Investments* - Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2006, none of the district's investment balance was exposed to custodial credit risk.

*Concentration of Credit Risk* - Disclosures of investments by amount and issuer for any issuer that represents five percent (5.00%) or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2006, the district had no investments requiring such disclosure.

**(3) Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

<b>A. Due From/Due To Other Funds</b>	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 437,509	\$ 23,949
Title I Fund	-	106,667
IDEA Part B Fund	-	138,228
21st Century Learning Fund	-	120,134
Other Governmental Funds	<u>23,949</u>	<u>72,480</u>
Total All Funds	<u>\$ 461,458</u>	<u>\$ 461,458</u>

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(3) Interfund Transactions and Balances (Continued)**

All due from/due to balances were to eliminate deficit cash balances.

**B. Transfers In/Transfers Out**

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 5,135	\$ 104,211
21st Century Learning Fund	-	5,135
Other Governmental Funds	<u>104,211</u>	<u>-</u>
Total All Funds	<u>\$ 109,346</u>	<u>\$ 109,346</u>

The transfer from the General Fund to Other Governmental Funds in the amount of \$104,211 was to support the Unemployment Compensation Fund (\$4,000) and the Vocational Fund (\$100,211). The transfer from the 21<sup>st</sup> Century Learning Fund to the General Fund was for indirect costs.

**(4) Capital Assets**

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

	<u>Balance 6/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance 6/30/06</u>
<b><u>Non-Depreciable Capital Assets</u></b>					
Land	\$ 239,502	\$ 2,300	\$ -	\$ -	\$ 241,802
Construction in Progress	-	-	-	-	-
Total Non-Depreciable Capital Assets	<u>239,502</u>	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>241,802</u>
<b><u>Depreciable Capital Assets:</u></b>					
Buildings	25,420,945	-	-	-	25,420,945
Building Improvements	1,867,307	-	-	-	1,867,307
Mobile Equipment	2,323,235	-	5,000	235,000	2,553,235
Furniture and Equipment	627,417	36,597	-	-	664,014
Leased Property Under Capital Leases	<u>691,975</u>	<u>497,339</u>	<u>-</u>	<u>(235,000)</u>	<u>954,314</u>
Total Depreciable Capital Assets	<u>30,930,879</u>	<u>533,936</u>	<u>5,000</u>	<u>-</u>	<u>31,459,815</u>
<b><u>Less Accumulated Depreciation for:</u></b>					
Buildings	12,548,744	382,948	-	-	12,931,692
Building Improvements	279,631	74,693	-	-	354,324
Mobile Equipment	1,700,599	137,318	4,500	84,600	1,918,017
Furniture and Equipment	446,289	62,907	-	-	509,196
Leased Property Under Capital Leases	<u>207,983</u>	<u>85,888</u>	<u>-</u>	<u>(84,600)</u>	<u>209,271</u>
Total Accumulated Depreciation	<u>15,183,246</u>	<u>743,754</u>	<u>4,500</u>	<u>-</u>	<u>15,922,500</u>
Total Depreciable Capital Assets, Net	<u>15,747,633</u>	<u>(209,818)</u>	<u>500</u>	<u>-</u>	<u>15,537,315</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,987,135</u>	<u>\$ (207,518)</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 15,779,117</u>

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(4) Capital Assets (Continued)**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 465,580
Support Services	243,486
Non-Instructional	34,688
 Total Depreciation Expense	 \$ 743,754

**(5) Long-Term Liabilities**

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

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	Amounts Due Within One Year
A. Limited Obligation Bonds Payable	\$ 5,735,000	\$ -	\$ 310,000	\$ 5,425,000	\$ 325,000
B Three Mill Note Payable	\$ 31,000		\$ 31,000	\$ -	\$ -
C Transportation Equipment Loans Payable	345,000	-	115,000	230,000	115,000
D Obligations Under Capital Lease	496,402	497,339	81,812	911,929	94,803
E Compensated Absences Payable	237,879	2,841	-	240,720	-
Total	\$ 6,845,281	\$ 500,180	\$ 537,812	\$ 6,807,649	\$ 534,803

**A. Limited Obligation Bonds Payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement, Series 1998	Varies	5/1/1998	2/1/2018	\$ 6,895,000	\$ 5,425,000
Total				\$ 6,895,000	\$ 5,425,000

The State Aid Capital Improvement Bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-7, Miss. Code Ann. (1972). The State Aid Capital Improvement Bonds are not included in the computation of the debt limit percentage.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(5) Long-Term Liabilities (Continued)**

**A. Limited Obligation Bonds Payable (continued).**

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 325,000	\$ 243,404	\$ 568,404
2008	340,000	229,106	569,106
2009	345,000	214,249	559,249
2010	360,000	198,783	558,783
2011	380,000	182,313	562,313
2012 - 2016	2,185,000	622,949	2,807,949
2017-2018	1,490,000	92,981	1,582,981
Total	<u>\$ 5,425,000</u>	<u>\$ 1,783,784</u>	<u>\$ 7,208,784</u>

This debt will be retired from the MAEP Retirement Fund.

**B. Three Mill Notes Payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Negotiable Notes, Series 1998	Varies	7/9/1996	6/1/2006	\$ 250,000	\$ -
Total				<u>\$ 250,000</u>	<u>\$ -</u>

**C. Transportation Equipment Loans Payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Negotiable Notes, Series 1998	4.75%	2/1/1998	2/1/2008	\$ 1,000,000	\$ 230,000
Total				<u>\$ 1,000,000</u>	<u>\$ 230,000</u>

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

June 30,	Principal	Interest	Total
2007	115,000	10,925	125,925
2008	115,000	5,462	120,462
Total	<u>\$ 230,000</u>	<u>\$ 16,387</u>	<u>\$ 246,387</u>

This debt will be retired from the Three Mill Note Retirement Fund.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(5) Long-Term Liabilities (Continued)**

D. Obligation Under Capital Leases.

The school district has entered into two lease agreement that qualifies as capital leases for accounting purposes. Leased property under this lease is composed of .

1. Nine school buses
2. Nine school buses and HVAC equipment

The option available to the lessee for these leases is as follows:

Title shall be vested in the school district as long as the district is not in default under the agreement.

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

Year Ending June 30,	Principal	Interest	Total
2007	94,803	38,420	133,223
2008	96,018	37,204	133,222
2009	100,410	32,813	133,223
2010	105,005	28,217	133,222
2011	109,813	23,409	133,222
2012-2016	411,268	47,599	458,867
Total	<u>\$ 917,317</u>	<u>\$ 207,662</u>	<u>\$ 1,124,979</u>

E. 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**

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 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The Alcorn School District's contributions to PERS for the years ending June 30, 2006, 2005, and 2004, were \$1,887,901, \$1,607,841, and \$1,309,607, respectively, which equaled the required contributions for each year.

**ALCORN SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

**(7) 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 noted below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Participation in Public Entity Risk Pool.**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi 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 the fund held in the trust by BancorpSouth in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**(8) Contingent Liability**

On August 29, 2005, pursuant to authorization as recorded in the minutes of the school board, the school district entered into a loan guaranty on behalf of the Alcorn Central High School Booster Club. The purpose of the loan was to construct a building to be used as a weight room for athletic purposes. The loan was for \$50,822, and the interest rate is equal to the bank's prime rate, but not less than 6.00%. It is payable in seven annual installments of \$8,083 each, and a final payment equal to the remaining principal balance plus all accrued interest remaining due at maturity.

**(9) Subsequent Events**

Subsequent to June 30, 2006, the school district issued to following debt instruments.

<u>Title of Issue</u>	<u>Purpose</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
State Aid Capital Improvement Refunding Bonds, Series 2006	Refinance existing State Aid Capital Improvement Bonds	12/19/06	2/1/18	6.625 - 4.00%	\$ 4,635,000
Three Mill Limited Tax Notes, Series 2007	Building projects and refinance existing three mill debt	5/22/07	9/1/22	4.00 - 4.15%	\$ 3,000,000

**ALCORN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule for the General Fund**  
**For the Year Ended June 30, 2006**

	Budget Amounts		Actual GAAP Basis	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ 5,698,866	5,591,678	5,591,678	(107,188)	-
State sources	17,464,762	17,190,862	17,190,862	(273,900)	-
Federal sources	225,500	209,006	209,006	(16,494)	-
<b>Total Revenues</b>	<u>23,389,128</u>	<u>22,991,546</u>	<u>22,991,546</u>	<u>(397,582)</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	16,423,270	15,965,464	15,965,464	457,806	-
Support services	7,461,028	7,853,416	7,858,551	(392,388)	(5,135)
Noninstructional services	9,650	438	438	9,212	-
Debt Services:	-				
Other	-	2,300	2,300	(2,300)	-
<b>Total Expenditures</b>	<u>23,893,948</u>	<u>23,821,618</u>	<u>23,826,753</u>	<u>72,330</u>	<u>(5,135)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(504,820)</u>	<u>(830,072)</u>	<u>(835,207)</u>	<u>(325,252)</u>	<u>(5,135)</u>
<b>Other Financing Sources (Uses)</b>					
Inception of capital lease	-	497,339	497,339	497,339	-
Sale of Transportation Equipment	4,500	-	-	(4,500)	-
Insurance loss recoveries	2,500	20,532	20,532	18,032	-
Indirect costs	5,404	-	-	(5,404)	-
Operating transfers in	2,603,137	2,226,614	5,135	(376,523)	(2,221,479)
Operating transfers out	(2,674,003)	(2,330,825)	(104,211)	343,178	2,226,614
<b>Total Other Sources (Uses)</b>	<u>(58,462)</u>	<u>413,660</u>	<u>418,795</u>	<u>472,122</u>	<u>5,135</u>
<b>Net Change in Fund Balances</b>	<u>(563,282)</u>	<u>(416,412)</u>	<u>(416,412)</u>	<u>146,870</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2005, as previously reported	<u>3,364,462</u>	<u>2,075,708</u>	<u>2,075,708</u>	<u>(1,288,754)</u>	<u>-</u>
June 30, 2006	<u>\$ 2,801,180</u>	<u>1,659,296</u>	<u>1,659,296</u>	<u>(1,141,884)</u>	<u>-</u>

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

**ALCORN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule for the Title I Fund**  
**For the Year Ended June 30, 2006**

	Budget Amounts		Actual GAAP Basis	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	640,610	643,842	643,842	3,232	-
<b>Total Revenues</b>	<u>640,610</u>	<u>643,842</u>	<u>643,842</u>	<u>3,232</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	468,167	527,159	527,159	(58,992)	-
Support services	138,146	115,567	115,567	22,579	-
Noninstructional services	4,455	1,116	1,116	3,339	-
Debt Services:	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Expenditures</b>	<u>610,768</u>	<u>643,842</u>	<u>643,842</u>	<u>(33,074)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>29,842</u>	<u>-</u>	<u>-</u>	<u>(29,842)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Inception of capital lease	-	-	-	-	-
Insurance loss recoveries	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>29,842</u>	<u>-</u>	<u>-</u>	<u>(29,842)</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2005, as previously reported	-	-	-	-	-
June 30, 2006	<u>\$ 29,842</u>	<u>-</u>	<u>-</u>	<u>(29,842)</u>	<u>-</u>

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

**ALCORN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule for the IDEA Part B Fund**  
**For the Year Ended June 30, 2006**

	Budget Amounts		Actual GAAP Basis	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	870,663	900,263	900,263	29,600	-
<b>Total Revenues</b>	<u>870,663</u>	<u>900,263</u>	<u>900,263</u>	<u>29,600</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	486,255	576,233	576,233	(89,978)	-
Support services	373,833	324,030	324,030	49,803	-
Noninstructional services	-	-	-	-	-
Debt Services:	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Expenditures</b>	<u>860,088</u>	<u>900,263</u>	<u>900,263</u>	<u>(40,175)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>10,575</u>	<u>-</u>	<u>-</u>	<u>(10,575)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Inception of capital lease	-	-	-	-	-
Insurance loss recoveries	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
<b>Total Other Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>10,575</u>	<u>-</u>	<u>-</u>	<u>(10,575)</u>	<u>-</u>
<b>Fund Balances</b>					
July 1, 2005, as previously reported	-	-	-	-	-
June 30, 2006	<u>\$ 10,575</u>	<u>-</u>	<u>-</u>	<u>(10,575)</u>	<u>-</u>

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

**ALCORN SCHOOL DISTRICT**  
**Budgetary Comparison Schedule for the 21st Century Learning Center Fund**  
**For the Year Ended June 30, 2006**

	Budget Amounts		Actual GAAP Basis	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues</b>					
Local sources	\$ -	-	-	-	-
State sources	-	-	-	-	-
Federal sources	448,354	427,839	427,839	(20,515)	-
<b>Total Revenues</b>	<u>448,354</u>	<u>427,839</u>	<u>427,839</u>	<u>(20,515)</u>	<u>-</u>
<b>Expenditures</b>					
Instruction	144,466	136,387	136,387	8,079	-
Support services	45,446	46,291	46,291	(845)	-
Noninstructional services	253,038	240,026	240,026	13,012	-
Debt Services:	-	-	-	-	-
Other	-	-	-	-	-
<b>Total Expenditures</b>	<u>442,950</u>	<u>422,704</u>	<u>422,704</u>	<u>20,246</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>5,404</u>	<u>5,135</u>	<u>5,135</u>	<u>(269)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Inception of capital lease	-	-	-	-	-
Insurance loss recoveries	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	(5,404)	(5,135)	(5,135)	269	-
<b>Total Other Sources (Uses)</b>	<u>(5,404)</u>	<u>(5,135)</u>	<u>(5,135)</u>	<u>269</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	-	-	-	-	-
<b>Fund Balances</b>					
July 1, 2005, as previously reported	-	-	-	-	-
June 30, 2006	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**ALCORN SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006**

Budgetary Comparison Schedule

**(1) Basis of Presentation**

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

**(2) Budget Amendments and Revisions**

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

**(3) Individual Fund Disclosures**

The General Fund has an excess of expenditures over budget in the amount of \$5,135. This excess of expenditures over budget is not in violation of state law since the excess resulted from an auditors' adjustment.

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Passed-through Mississippi Department of Education:		
Non-cash Assistance:		
Food donation	10.550	\$ 77,293
Child Nutrition Cluster:		
School breakfast program	10.553	168,216
National school lunch program	10.555	733,205
Total Child Nutrition Cluster		901,421
Total Passed-through MDE		978,714
<b>Total U.S. Department of Agriculture</b>		<b>978,714</b>
<b>Federal Communications Commission</b>		
Administered through the Universal Service Administration Company		
The schools and libraries program of the Universal Service Fund	32.XXX	65,741
<b>Total Federal Communications Commission</b>		<b>65,741</b>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Education:		
Special Education Cluster		
Special education - grants to states	84.027	900,263
Special education - preschool grants	84.173	31,518
Total Special Education Cluster		931,781
Title I grants to local educational agencies	84.010	643,842
State grants for innovative programs	84.298	14,534
Education technology state grants	84.318	16,012
Improving teacher quality - state grants	84.367	185,328
Vocational education-basic grants to states	84.048	45,734
Twenty-first century community learning centers	84.287	427,839
Education for homeless children and youth	84.196	35,496
Comprehensive school reform demonstration	84.332	62,779
Hurricane Education Recovery	84.938	18,547
Safe & drug-free schools and communities-state grants	84.186	12,380
Total Passed-through MDE		1,462,491
<b>Total U.S. Department of Education</b>		<b>2,394,272</b>
<b>Total for All Federal Awards</b>		<b>\$ 3,438,727</b>

Notes to Schedule

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

**ALCORN SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES-  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Total</u>	<u>Instruction</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Expenditures					
Salaries and fringe benefits	\$ 23,206,305	\$ 18,355,029	\$ 577,676	\$ 1,666,328	\$ 2,607,272
Other	<u>6,481,252</u>	<u>2,049,918</u>	<u>112,351</u>	<u>56,129</u>	<u>4,262,854</u>
<b>Total</b>	<b><u>29,687,557</u></b>	<b><u>20,404,947</u></b>	<b><u>690,027</u></b>	<b><u>1,722,457</u></b>	<b><u>6,870,126</u></b>
Total number of students	3,762				
Cost per student	\$ 7,891	\$ 5,424	\$ 183	\$ 458	\$ 1,826

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

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

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

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

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

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

**ALCORN SCHOOL DISTRICT**

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**Certified Public Accountants**

A. Braddock Brawner, CPA  
W. T. Vanstory, CPA  
Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

Brenda G. Nichols, CPA

512 Taylor Street  
AmSouth Bank Building  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

106 South First Street  
Post Office Box 540  
Booneville, Mississippi 38829  
Telephone (662) 728-6172  
Fax (662) 728-6176

**INDEPENDENT AUDITORS' 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  
Alcorn School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alcorn School District as of and for the year ended June 30, 2006, which collectively comprise Alcorn School District's basic financial statements and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Alcorn School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of Findings and Questioned Costs as item 2007-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we consider item 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alcorn School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated December 14, 2007, which is included in this report.

This report is intended solely for the information and use of the school board, 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.

*Brammer Vanstony & Company, P.A.*

December 14, 2007  
Corinth, Mississippi



**Certified Public Accountants**

A. Braddock Brawner, CPA  
W. T. Vanstory, CPA  
Lou Ann D. Counce, CPA  
Terry E. Cartwright, CPA  
Christopher D. Murphy, CPA

Brenda G. Nichols, CPA

512 Taylor Street  
AmSouth Bank Building  
Post Office Box 458  
Corinth, Mississippi 38835  
Telephone (662) 286-7082  
Fax (662) 286-3365

106 South First Street  
Post Office Box 540  
Booneville, Mississippi 38829  
Telephone (662) 728-6172  
Fax (662) 728-6176

**INDEPENDENT AUDITORS' 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  
Alcorn School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the school board, 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.

*Branne Vanstony & Company, P.A.*

December 14, 2007  
Corinth, Mississippi



Certified Public Accountants

A. Braddock Brawner, CPA  
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Fax (662) 286-3365

106 South First Street  
Post Office Box 540  
Booneville, Mississippi 38829  
Telephone (662) 728-6172  
Fax (662) 728-6176

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Alcorn School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Alcorn School District as of and for the year ended June 30, 2006, which collectively comprise Alcorn School District's basic financial statements and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$66,702 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follows:

### Finding

During our testing of payroll expenditures, we noted that substitute bus drivers are not paid by the district. Instead, regular bus drivers are responsible for paying for their own substitute. Furthermore, background checks and fingerprinting are not performed on these people. This is a violation of Section 37-9-17, which requires criminal background checks and fingerprinting for all employees of the school district. Also, drivers who are a part of the Public Employees Retirement System (PERS) are being erroneously credited with retirement contributions on wages they did not earn, however, no records are available to determine overpayments to the retirement system. There is also the possibility that the district's liability insurance carrier or workers' compensation insurance carrier would not pay claims in the event a substitute bus driver not known by them has an accident or is accused in a harassment or assault case, or gets injured on the job.

**Recommendation:**

We recommend the school district immediately take steps to correct this violation. Procedures should be implemented to ensure all employees, before performing any duties as an employee of the school district, have been fingerprinted and a criminal background check has been performed and is satisfactory. Also, all employment information should be updated with insurance carriers.

**Response:**

The Alcorn School District is currently implementing procedures to ensure that employees, before performing duties as an employee of the school district, have been fingerprinted and a criminal background check has been performed and is satisfactory. We also are ensuring that employment information is being updated with insurance carriers. We will have the plan implemented for the 2008-2009 school year. The substitute drivers will not be paid by the regular bus drivers but by the district and substitute drivers will follow procedures required by regular employees of the district.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

This report is intended solely for the information and use of the school board, 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.

*Branner Vanston & Company, P.A.*

December 14, 2007  
Corinth, Mississippi

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditors' 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. Reportable conditions identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditors' report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weakness(es) identified?   | No          |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?   | No          |
| 6.  | Any audit findings reported as required by Section __.510 (a) of OMB Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Child Nutrition Cluster<br>CFDA #10.553<br>CFDA #10.555   |             |
|     | b. Special Education Cluster<br>CFDA #84.027<br>CFDA #84.173   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes         |

## **Section 2: Financial Statement Findings**

### **Reportable Conditions that are Material Weaknesses**

#### **Finding 2006-1**

As reported in the prior year, necessary controls are not in place to safeguard activity funds. We noted the following:

1. Concession money is not counted and receipted to the person turning in the collected funds.
2. Receipts are not given to teachers when they turn in money to the school secretaries for fund raisers and other school activities. Teachers did not keep records of money collected from students.
3. The same person was responsible for preparing deposits, taking them to the bank, and entering the deposit into the computer system.
4. Profit margins are not being reviewed to see if all money is being turned in on concessions.
5. No controls were in place to ensure the proper amount was collected and deposited for gate receipts.
6. No controls were in place to ensure that activity fund vendor invoices were paid timely.

#### **Recommendation**

We recommend the school district implement internal controls such as, but not limited to, the following:

1. Staff members operating concessions should count the cash given to them at the beginning of break and the total money turned in to the school secretary at the end of break in the presence of the school secretary and receive a receipt for the money turned in.
2. Teachers conducting fund raisers should keep detailed records of all money received from students and issue each student a receipt. When the money is turned in to the school secretary, it should be counted in the presence of the school secretary and the teacher should receive a receipt for that amount, which agrees with his or her records.
3. The same person should not be responsible for preparing and making the deposits and recording the deposits into the bookkeeping system. Proper segregation of duties should be implemented to ensure a system of checks and balances for these functions.
4. Gross profit margins should be monitored for unusual fluctuations, and those fluctuations investigated in a timely manner.
5. A system should be established to monitor invoice due dates to ensure timely payment.
6. A gate receipt form such as the one found in the *Financial Accounting Manual for Mississippi Public School Districts* should be utilized properly to account for gate receipt activity and any discrepancies investigated.
7. Review the *Financial Accounting Manual for Mississippi Public School Districts* to become familiar with the controls and procedures. Also, staff training may need to be conducted to better prepare staff for the performance of their duties.

## **Section 3: Federal Award Findings and Questioned Costs**

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

P.O. Box 1420  
Corinth, MS 38835-1420

**Alcorn School District**  
*Where Children Come First*

Telephone: 662.286.5591  
Fax: 662.286.7713  
www.alcorn.k12.ms.us

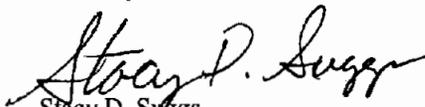
*Stacy D. Suggs*  
Superintendent of Education

Brawner Vanstory & Company, P.A.  
512 Taylor Street  
Corinth, MS 38835

As required by Section \_\_\_\_ .315(c) of OMB A-133, the Alcorn School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2005-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Angi Wilhite, Business Manager: (662) 286-5591</p> <p>b. Corrective Action Planned:</p> <p>Immediately upon notification of this finding by the auditors, corrective action was put in place to rectify this situation. The district purchased computers and point of sale software that would count the meals by each student using their individual identification number. This point of sale prevents a student from being counted numerous times and the students cannot purchase food except with their own identification number. We were contacted by the Office of Healthy Schools requesting a payment to them for over claimed meals in the amount of \$18,665.72. We sent them a check for that amount on January 18, 2006. As for the food service absorbing the full cost of two secretaries, the district recorded journal entries pro-rating the two secretary's salaries according to the percentages they actually work in the cafeteria which was 40% in the cafeteria and 60% in the school office. We transferred \$16,237.49 on May 16, 2005 from the District Maintenance bank account to the Cafeteria bank account to refund the 100% of salaries that had been charged to the cafeteria fund. Due to an error in the pro-rated calculations for repaying salaries and fixed charges, the district owed \$7,711.65 more to the Cafeteria bank account and transferred that amount from District Maintenance on October 3, 2006.</p> <p>c. Completion Date:</p> <p>October 3, 2006</p>

Sincerely,

  
Stacy D. Suggs  
Superintendent of Education

**Alcorn Board of Education**

Linda H. Brooks, Ph. D.  
First District

Gary K. Wren  
Second District

Wilson E. Busby  
Third District

Mary K. Coleman  
Fourth District

Jan L. Haley  
Fifth District

