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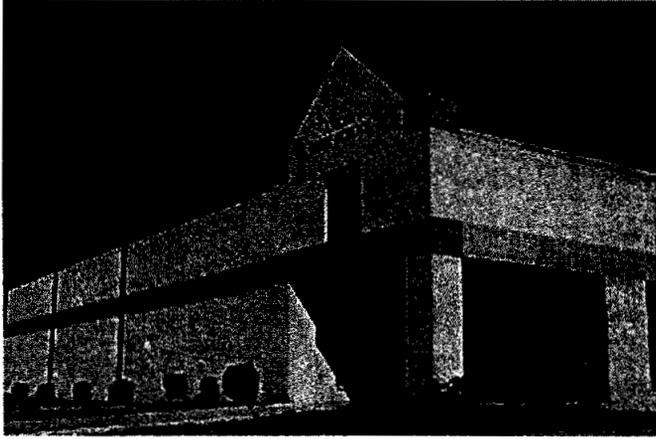
Amory Separate School District

Audited Financial Statements
June 30, 2006

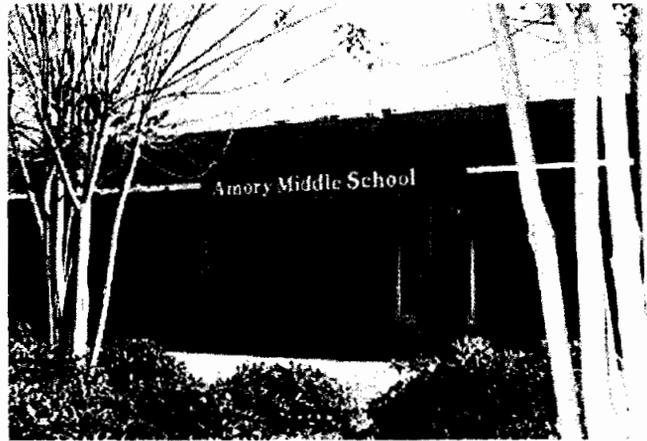
J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

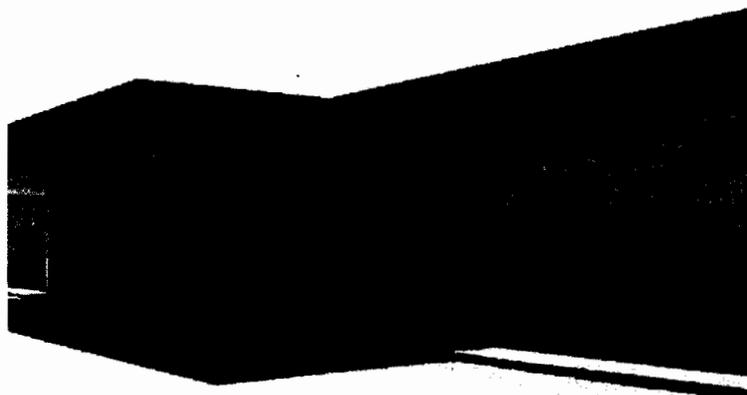
Amory Separate School District
Pictures of Some Schools
06-30-06



Amory High School



Amory Middle School



East Amory Elementary School

**Amory Separate School District
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**INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**

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

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION
AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Amory Separate School District

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2006 on my consideration of the Amory Separate School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages (9) through (16) and the Budgetary Comparison Schedule and corresponding notes on pages (44) through (48) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, PC
November 7, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,070,378 which represents about 88% increase from fiscal year 2005.
- General revenues account for \$10,143,010 or 76% of all revenues. This amount was more than the general revenues reported for the year 2005 which consisted of \$9,791,932. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$3,161,847 or 24% of total revenues compared with \$3,253,554 in 2005.
- The District had \$12,234,479 in expenses, an increase from \$12,028,525 in expenses for the prior year. Only \$3,161,847 of these expenses were offset by program specific charges for services, grants and contributions. The general revenues of \$10,143,010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,569,456 in revenues and \$8,875,198 in expenditures. In 2005 the General Fund had \$9,004,754 in revenues and \$8,352,267 in expenditures. The General Fund's fund balance increased \$653,787 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$44,744. One major component of this decrease was the disposition of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$511,628.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 18 and 19 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide

financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Net Assets on page 27.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-42 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 44- 48 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 50 and 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$2,282,886 as of 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.

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

	2006	2005	Percentage Change
Assets			
Current assets	\$ 3,870,141	3,392,889	14%
Capital assets, net	2,899,082	2,943,826	-2%
Total assets	6,769,223	6,336,715	7%
Liabilities			
Current liabilities	163,167	291,230	-44%
Long-term liabilities	4,323,170	4,834,798	-11%
Total liabilities	4,486,337	5,126,028	-12%
Net Assets:			
Invested in capital assets, net of related debt	(1,340,918)	(1,801,174)	-26%
Restricted	1,458,094	1,518,588	-4%
Unrestricted	2,165,710	1,493,273	45%
Total Net Assets	\$ 2,282,886	1,210,687	89%

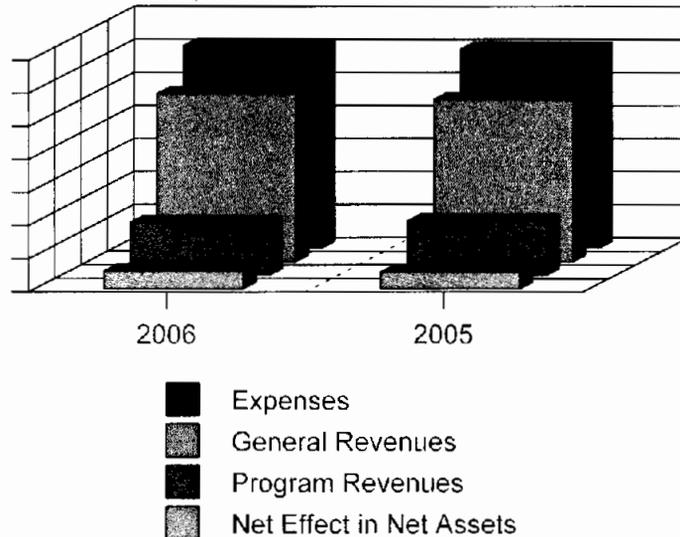
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The principal retirement of \$505,000 of long-term debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$13,304,857. The total cost of all programs and services was \$12,234,479. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

	2006	2005	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 819,128	738,817	11%
Operating Grants and Contributions	2,286,309	2,438,321	-6%
Capital Grants and Contributions	56,410	76,416	-26%
Total Program Revenues	3,161,847	3,253,554	-3%
General Revenues			
Property Taxes	2,004,689	1,868,941	7%
Unrestricted Grants and Contributions	8,001,726	7,806,823	2%
Unrestricted Investment Earnings	18,940	15,220	24%
Sixteenth Section Sources	5,255	3,608	46%
Other	112,400	97,340	15%
Total General Revenues	10,143,010	9,791,932	4%
Total revenues	13,304,857	13,045,486	2%
Expenses			
Instruction	7,274,852	7,276,805	0%
Support services	3,649,690	3,332,226	10%
Non-instructional	1,161,081	1,251,056	-7%
Interest on long-term liabilities	148,856	168,438	-12%
Total expenses	12,234,479	12,028,525	2%
Increase (Decrease) in net assets	1,070,378	1,016,961	5%
Net Assets, July 1	1,210,687	193,726	525%
Prior Period Adjustment	1,821	-	
Net Assets, June 30	\$ 2,282,886	1,210,687	89%

Comparative Chart of Statement of Activities

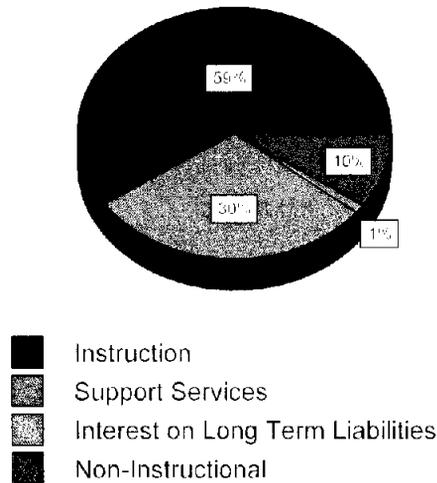


Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities 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.

- Net cost of governmental activities (\$9,072,632), was financed by general revenue, which is made up of primarily property taxes (\$2,004,689), investment earnings (\$18,940), sixteenth section sources (\$5,255) and state revenue (\$7,838,460).

	2006	2005	2006	2005
	Expenses	Expenses	Net (Expense)	Net (Expense)
			Revenue	Revenue
Instruction	\$ 7,274,852	7,276,805	(5,489,317)	(6,378,321)
Support Services	3,649,690	3,332,226	(3,319,856)	(3,081,974)
Non-Instructional	1,161,081	1,251,056	(114,603)	853,762
Interest on Long-Term Liabilities	148,856	168,438	(148,856)	(168,438)
	\$ 12,234,479	12,028,525	(9,072,632)	(8,774,971)

Expense Chart as per Statement of Activities



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,768,279, an increase of \$593,937.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$653,787. The fund balance of Other Governmental Funds showed a decrease of \$85,832, due primarily to a decrease on interest of refinanced general obligation bond. The fund balance of the Debt Service Fund increased \$25,982.

BUDGETARY HIGHLIGHTS

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

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

Budget amounts for revenue from local, state and federal sources in the General Fund were less than the amount originally budgeted due to less than anticipated other operating transfers in.

Budget amounts in the General Fund for expenditures were less than the amount originally budgeted due to conservation efforts on utility costs made costs to go down below budget. Also, major repair costs budgeted for at all schools were not needed.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$11,419,071, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$40,889 from the previous year. One major component of this increase was the addition made to mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2006 was \$8,519,989 and total depreciation expense for the year was \$122,877, resulting in total net capital assets of \$2,899,082.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 64,885	64,885	0%
Buildings	2,604,771	2,660,626	-2%
Improvements other than buildings	522	522	0%
Mobile equipment	219,460	204,244	7%
Furniture and equipment	9,444	13,550	-30%
Rounding difference		(1)	
	\$ 2,899,082	2,943,826	-2%

Additional information of the District's capital assets can be found in Note 5 on page 38 of this report.

Debt Administration. At June 30, 2006, the District had \$1,600,000 in general obligation bonds outstanding and \$2,723,170 in other long-term debt outstanding, of which \$529,159 is due within one year. The District maintains an AA bond rating.

			Percentage
	2006	2005	Change
General obligation bonds payable	\$ 1,600,000	1,960,000	-18%
Limited obligation bonds payable	2,640,000	2,785,000	-5%
Compensated absences	83,170	89,798	-7%
	\$ 4,323,170	4,834,798	-11%

Additional information of the District's long-term debt can be found in Note 6 on page 38 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Amory Separate School District, PO Box 330, Amory, MS 38821.

FINANCIAL STATEMENTS

AMORY SEPARATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Assets:	
Cash and other deposits	\$ 3,301,055
Cash with fiscal agents	88,519
Due from other governments	452,377
Inventories and prepaid items	28,190
Capital assets, not being depreciated	
Land	64,885
Capital assets, net of accumulated depreciation	
Buildings	2,604,771
Improvements other than buildings	522
Mobile equipment	219,460
Furniture and equipment	9,444
Total Assets	<u>6,769,223</u>
Liabilities	
Accounts payable and accrued liabilities	101,862
Interest payable on long-term liabilities	61,305
Long-term liabilities (due within one year):	
Capital related liabilities	525,000
Non-capital related liabilities	4,159
Long-term liabilities (due beyond one year)	
Capital related liabilities	3,715,000
Non-capital related liabilities	79,011
Total Liabilities	<u>4,486,337</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	(1,340,918)
Restricted For:	
School Based Activities	369,365
Debt Service	965,887
Capital Improvements	80,031
Unemployment Benefits	42,811
Unrestricted	2,165,710
Total Net Assets	<u>\$ 2,282,886</u>

The accompanying notes are an integral part of this statement.

AMORY SEPARATE SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					Governmental Activities
<i>Instruction</i>	7,274,852	346,396	1,382,729	56,410	(5,489,317)
<i>Support services</i>	3,649,690	19,473	310,361	--	(3,319,856)
<i>Noninstructional services</i>	1,161,081	453,259	593,219	--	(114,603)
<i>Interest on long-term liabilities</i>	148,856	--	--	--	(148,856)
Total Primary Government	<u>\$ 12,234,479</u>	<u>\$ 819,128</u>	<u>\$ 2,286,309</u>	<u>\$ 56,410</u>	<u>(9,072,632)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					2,004,689
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					7,838,460
<i>Federal</i>					163,266
<i>Unrestricted investment earnings</i>					18,940
<i>Sixteenth section sources</i>					5,255
<i>Other</i>					112,400
Total general revenues					<u>10,143,010</u>
Change in Net Assets					
Net Assets - Beginning					<u>1,210,687</u>
Prior Period Adjustment					1,821
Net Assets - Restated					<u>1,212,508</u>
Net Assets - Ending					<u>\$ 2,282,886</u>

The accompanying notes are an integral part of this statement.

AMORY SEPARATE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Title I - A Basic Fund	EHA Part B 2000 FY Grant Fund
ASSETS			
<i>Cash and cash equivalents</i>	\$ 2,083,958	\$ --	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Due from other governments</i>	101,324	75,705	33,264
<i>Due from other funds</i>	177,308	--	--
<i>Inventories and prepaid items</i>	--	--	--
Total Assets	\$ 2,362,590	\$ 75,705	\$ 33,264
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 73,218	\$ 1,855	\$ 851
<i>Due to other funds</i>	--	73,850	32,413
Total Liabilities	73,218	75,705	33,264
Fund balances:			
Reserved for:			
<i>Unemployment</i>	--	--	--
<i>Inventory</i>	--	--	--
<i>Debt service funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	2,289,372	--	--
<i>Special Revenue funds</i>	--	--	--
<i>Capital projects funds</i>	--	--	--
Total Fund Balances	2,289,372	--	--
Total Liabilities and Fund Balances	\$ 2,362,590	\$ 75,705	\$ 33,264

21st Century Community Learning	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 717,136	\$ 499,961	\$ 3,301,055
--	--	88,519	88,519
49,286	11,914	180,884	452,377
--	--	--	177,308
--	--	28,190	28,190
<u>\$ 49,286</u>	<u>\$ 729,050</u>	<u>\$ 797,554</u>	<u>\$ 4,047,449</u>
\$ 572	\$ --	\$ 25,366	\$ 101,862
48,714	--	22,331	177,308
<u>49,286</u>	<u>--</u>	<u>47,697</u>	<u>279,170</u>
--	--	43,189	43,189
--	--	28,190	28,190
--	729,050	229,460	958,510
--	--	--	2,289,372
--	--	368,987	368,987
--	--	80,031	80,031
<u>--</u>	<u>729,050</u>	<u>749,857</u>	<u>3,768,279</u>
<u>\$ 49,286</u>	<u>\$ 729,050</u>	<u>\$ 797,554</u>	<u>\$ 4,047,449</u>

AMORY SEPARATE SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 3,768,279
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,899,082
Liabilities due in one year are reported in the SNA but not in the funds	(529,159)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,715,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(61,305)
Payables for compensated absences are not due in the current period are not reported in the funds.	<u>(79,011)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 2,282,886</u>

The accompanying notes are an integral part of this statement.

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AMORY SEPARATE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Title I - A Basic Fund	EHA Part B 2000 FY Grant Fund
Revenue:			
Local sources	\$ 2,057,727	\$ --	\$ --
State sources	7,347,083	--	--
Federal sources	164,646	427,417	359,217
Sixteenth section sources	--	--	--
Total revenues	<u>9,569,456</u>	<u>427,417</u>	<u>359,217</u>
Expenditures:			
Instruction	5,915,429	315,886	239,826
Support services	2,936,598	111,531	119,391
Noninstructional services	23,171	--	--
Facilities acquisition and construction	--	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Total expenditures	<u>8,875,198</u>	<u>427,417</u>	<u>359,217</u>
Excess (deficiency) of revenues (over) expenditures	694,258	--	--
Other financing sources (uses):			
Insurance loss recoveries	3,882	--	--
Operating transfers in	18,755	--	--
Operating transfers out	(63,108)	--	--
Total other financing sources (uses)	<u>(40,471)</u>	<u>--</u>	<u>--</u>
Net change in fund balance	653,787	--	--
Fund Balances:			
July 1, 2005	1,635,585	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2006	<u>\$ 2,289,372</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

21st Century Community Learning	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 420,781	\$ 513,886	\$ 2,992,394
--	--	981,472	8,328,555
226,095	--	797,394	1,974,769
--	--	5,255	5,255
<u>226,095</u>	<u>420,781</u>	<u>2,298,007</u>	<u>13,300,973</u>
155,054	--	633,025	7,259,220
71,041	1,250	391,232	3,631,043
--	--	1,119,384	1,142,555
--	--	10,240	10,240
--	360,000	145,000	505,000
--	33,549	129,311	162,860
<u>226,095</u>	<u>394,799</u>	<u>2,428,192</u>	<u>12,710,918</u>
--	25,982	(130,185)	590,055
--	--	--	3,882
--	--	63,108	81,863
--	--	(18,755)	(81,863)
<u>--</u>	<u>--</u>	<u>44,353</u>	<u>3,882</u>
--	25,982	(85,832)	593,937
--	703,068	831,687	3,170,340
--	--	4,002	4,002
<u>\$ --</u>	<u>\$ 729,050</u>	<u>\$ 749,857</u>	<u>\$ 3,768,279</u>

AMORY SEPARATE 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*

Net change in fund balances - total governmental funds	\$ 593,937
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	88,167
The depreciation of capital assets used in governmental activities is not reported in the funds.	(122,877)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(11,856)
Change in inventory is adjustment to FB in funds but affects Non-Instructional EX in SOA	4,002
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	505,000
(Increase) decrease in accrued interest from beginning of period to end of period	7,376
Compensated absences reported as amount earned in the SOA but as the amount paid in the funds.	6,628
Rounding difference	<u>1</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 1,070,378</u>

The accompanying notes are an integral part of this statement.

AMORY SEPARATE SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2006

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 470,307
Total Assets	<u>\$ 470,307</u>
LIABILITIES	
Liabilities:	
<i>Accounts payable & accrued liabilities</i>	\$ 432,538
<i>Due to student clubs</i>	37,769
Total Liabilities	<u>\$ 470,307</u>

The accompanying notes are an integral part of this statement.

Amory Separate School District

Notes to the Financial Statements
June 30, 2006

Amory Separate 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 an "stand-alone government." The school district is a related organization of, but not a component unit of, the Town of Amory Separate since the governing authority of the town selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statements consist of government-wide statements 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 reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

Amory Separate School District

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

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

C. Measurement Focus and Basis of Accounting.

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

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

Amory Separate School District

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

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

Title I- A Basic Fund - This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

EHA Part B 2000 FY Grant Fund - This is a Special Revenue Fund that is used to insure proper disbursement of, and accounting for, EHA Part B revenues received by the district.

21st Century Community Learning Fund - This fund is used to account for the revenues and expenditures of the federal program which is used to provide youth development activities, drug and violence prevention programs, technology education programs, art, music and recreation programs, counseling and character education to enhance the academic component of the program for children attending low performing schools.

Debt Service Fund - This fund is used to account for the servicing of debt service principal and interest expenditures.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

Amory Separate School District

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Accordingly, no encumbrances were outstanding at year-end.

F. Cash and Cash Equivalents.

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

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

G. Investments.

The school district is allowed, by statute, to invest excess fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than twelve months when acquired. Investments are reported at fair value.

Amory Separate School District

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

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

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

I. Capital Assets.

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

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

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

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

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

(*) The threshold amounts will correspond with the amounts for the asset classifications, as listed. (See **Note (4)** for details).

J. Long-term Liabilities.

Amory Separate School District

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

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

K. Interfund Transactions and Balances.

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See **Note 3** for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-Wide Financial Statements:

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

- a. 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.
- b. 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.

Amory Separate School District

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

c. 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 all 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.

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance

Amory Separate School District

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

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) Changes in Accounting Standards.

As required, the Amory Separate School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents, and Cash with Fiscal Agents.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$3,301,055, and \$470,307 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$3,301,055. The bank balance was \$4,129,446.

Amory Separate School District

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi state Treasurer manages that risk on behalf of the district. Deposits above the FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$4,129,446 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$88,519.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 177,308	0
Title I - A Basic Fund	0	73,850
EHA Part B 2000 FY Grant Fund	0	32,413
21 st Century Community Learning Fund	0	48,714
Other governmental funds	0	22,331
Total Funds	<u>\$ 177,308</u>	<u>177,308</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental funds:		
General fund	\$ 18,755	63,108
Other governmental funds	<u>63,108</u>	<u>18,755</u>
Total Funds	<u>\$ 81,863</u>	<u>81,863</u>

Amory Separate School District

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

The purpose of the transfers was to provide funds for the stadium expansion and the closeout of the Sixteenth Section fund at June 30. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

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

	Balance 7-1-2005	Addition	Retirement	Completed Construction	Adjustments	Balance 6-30-2006
Non-depreciable capital assets:						
Land	\$ 64,885					64,885
Construction in progress						0
Total non-depreciable capital assets	64,885	0	0	0	0	64,885
Depreciable capital assets:						
Buildings	10,338,823					10,338,823
Building Improvements	52,179					52,179
Improvements other than buildings	854,430	82,238	35,422			901,246
Mobile equipment	67,865	5,929	11,856			61,938
Furniture and equipment						0
Total depreciable capital assets	11,313,297	88,167	47,278	0	0	11,354,186
Less accumulated depreciation for:						
Buildings	7,678,197	55,855				7,734,052
Building Improvements	51,657					51,657
Improvements other than buildings	650,186	67,022	35,422			681,786
Mobile equipment	54,315				(1,821)	52,494
Furniture and equipment						0
Total accumulated depreciation	8,434,355	122,877	35,422		(1,821)	8,519,989
Total depreciable capital assets, net	2,878,942	(34,710)	11,856	0	1,821	2,834,197
Rounding difference	(1)					
Governmental activities capital assets, net	2,943,826	(34,710)	11,856	0	1,821	2,899,082

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 86,014
Support services	24,575
Non-Instructional	12,288
Total depreciation expense	\$122,877

(6) Long-term liabilities.

Amory Separate School District

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

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. General obligation bonds payable	\$ 1,960,000		360,000	0	1,600,000	375,000
B. Limited obligations bonds payable	2,785,000		145,000	0	2,640,000	150,000
C. Compensated absences payable	89,798		6,628		83,170	4,159
Total	\$ 4,834,798	0	511,628	0	4,323,170	529,159

A. General Obligation Bonds Payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation Ref. Bonds, Series 2003	variable	3/1/03	9/01/09	<u>\$2,635,000</u>	<u>\$1,600,000</u>

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

<u>Year Ending</u>	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	375,000	25,943	400,943
2008		400,000	20,130	420,130
2009		405,000	13,080	418,080
2010		<u>420,000</u>	<u>4,515</u>	<u>424,515</u>
Total		\$1,600,000	\$63,668	\$1,663,668

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property, within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 2.65% of property assessments (\$60,404,069) as of October 1, 2005. This debt will be retired from the Bond and Interest Refunding Fund.

B. Limited Obligation Bonds Payable.

Amory Separate School District

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

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Ref. Bonds, Series 1998	variable	6/15/98	2/01/18	<u>\$3,325,000</u>	<u>\$2,640,000</u>

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	150,000	119,441	269,441
2008	160,000	111,234	271,234
2009	165,000	104,001	269,001
2010	175,000	96,351	271,351
2011	185,000	88,251	273,251
2012-2016	1,070,000	300,296	1,370,296
2017-2021	<u>735,000</u>	<u>45,094</u>	<u>780,094</u>
Total	\$2,640,000	\$ 864,668	\$3,504,668

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 the Adequate Education Act, Sections 37-151-1 through 37-151-107 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

This debt will be retired from the MAEP Bond Fund.

C. Compensated Absences.

The amount of compensated absences accrued for school district employees at June 30, 2006 is \$83,170. As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial

Amory Separate School District

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

statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2006 was 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$777,396, \$679,559, and \$646,668, respectively, which equaled the required contributions for each year.

(8) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson, Mississippi. 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.

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Amory Separate School District

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To adjust accumulated depreciation - capital assets	\$ <u>1,821</u>
Total	\$ <u><u>1,821</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

AMORY SEPARATE SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,939,886	2,055,734	2,057,727	115,848	1,993
State sources	7,618,444	7,347,083	7,347,083	(271,361)	0
Federal sources	191,000	164,647	164,646	(26,353)	(1)
Total Revenues	<u>9,749,330</u>	<u>9,567,464</u>	<u>9,569,456</u>	<u>(181,866)</u>	<u>1,992</u>
Expenditures:					
Instruction	6,074,712	5,915,430	5,915,429	159,282	1
Support services	2,972,937	2,936,597	2,936,598	36,340	(1)
Noninstructional services	493,000	23,170	23,171	469,830	(1)
Total Expenditures	<u>9,540,649</u>	<u>8,875,197</u>	<u>8,875,198</u>	<u>665,452</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>208,681</u>	<u>692,267</u>	<u>694,258</u>	<u>483,586</u>	<u>1,991</u>
Other Financing Sources (Uses):					
Insurance Loss Recoveries	2,500	3,882	3,882	1,382	0
Sale of transportation equipment	1,000			(1,000)	0
Sale of property	1,000			(1,000)	0
Transfers In	330,000	18,755	18,755	(311,245)	0
Transfers Out	(95,200)	(63,108)	(63,108)	32,092	0
Total Other Financing Sources (Uses)	<u>239,300</u>	<u>(40,471)</u>	<u>(40,471)</u>	<u>(279,771)</u>	<u>0</u>
Net Change in Fund Balances	<u>447,981</u>	<u>651,796</u>	<u>653,787</u>	<u>203,815</u>	<u>1,991</u>
Fund Balances:					
July 1, 2005			1,635,585	0	1,635,585
Prior period adjustments (Note)					
July 1, 2005, as restated	<u>0</u>	<u>0</u>	<u>1,635,585</u>	<u>0</u>	<u>1,635,585</u>
Residual equity transfer in (out)			0	0	0
June 30, 2006	<u>\$ 447,981</u>	<u>651,796</u>	<u>2,289,372</u>	<u>0</u>	<u>1,635,585</u>

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

AMORY SEPARATE SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 Title I - A Basic Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 455,000	427,417	427,417	(27,583)	0
Total Revenues	455,000	427,417	427,417	(27,583)	0
Expenditures:					
Instruction	370,884	315,885	315,886	54,999	(1)
Support services	75,056	111,532	111,531	(36,476)	1
Total Expenditures	445,940	427,417	427,417	18,523	0
Excess (Deficiency) of Revenues Over Expenditures	9,060	0	0	(9,060)	0
Other Financing Sources (Uses):					
Other financing sources				0	0
Other financing uses				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	9,060	0	0	(9,060)	0
Fund Balances:					
July 1, 2005				0	0
Prior period adjustments (Note)					
July 1, 2005, as restated	0	0	0	0	0
June 30, 2006	\$ 9,060	0	0	(9,060)	0

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

AMORY SEPARATE SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule
 EHA Part B 2000 FY Grant Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 455,550	359,217	359,217	(96,333)	0
Total Revenues	455,550	359,217	359,217	(96,333)	0
Expenditures:					
Instruction	232,921	239,825	239,826	(6,904)	(1)
Support services	155,121	119,391	119,391	35,730	0
Noninstructional services	0			0	0
Total Expenditures	388,042	359,216	359,217	28,826	(1)
Excess (Deficiency) of Revenues Over Expenditures	67,508	1	0	(67,507)	(1)
Other Financing Sources (Uses):					
Other financing sources				0	0
Other financing uses				0	0
Total Other Financing Sources (Uses)	0			0	0
Net Change in Fund Balances	67,508	1	0	(67,507)	(1)
Fund Balances:					
July 1, 2005				0	0
Prior period adjustments (Note)					
July 1, 2005, as restated	0	0	0	0	0
Increase (Decrease) in reserve for inventory				0	0
Residual equity transfer in (out)				0	0
June 30, 2006	\$ 67,508	1	0	(67,507)	(1)

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

AMORY SEPARATE SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule
 21st Century Community Learning Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 225,000	226,095	226,095	1,095	0
Total Revenues	225,000	226,095	226,095	1,095	0
Expenditures:					
Instruction	148,853	155,054	155,054	(6,201)	0
Support services	56,223	71,041	71,041	(14,818)	0
Total Expenditures	205,076	226,095	226,095	(21,019)	0
Excess (Deficiency) of Revenues Over Expenditures	19,924	0	0	(19,924)	0
Other Financing Sources (Uses):					
Other financing sources				0	0
Other financing uses				0	0
Total Other Financing Sources (Uses)				0	0
Net Change in Fund Balances	19,924	0	0	(19,924)	0
Fund Balances:					
July 1, 2005				0	0
Prior period adjustments (Note)					
July 1, 2005, as restated				0	0
June 30, 2006	\$ 19,924	0	0	(19,924)	0

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

Amory Separate 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.

SUPPLEMENTAL INFORMATION

Amory Separate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	<u>Federal Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$55,648
Child Nutrition Cluster:		
School Breakfast Program	10.553	145,728
National School Lunch Program	10.555	402,023
Total child nutrition cluster		<u>547,751</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		603,399
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	41,424
Total Federal Communication Commission		<u>41,424</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	454,059
Vocational Education - Basic Grant to States	84.048	17,641
Safe and Drug Free Schools and Communities - State Grants	84.186	7,952
Twenty-first century community learning centers	84.287	226,095
State Grants for Innovative Programs	84.298	5,044
Education technology state grants	84.318	7,131
Rural Education	84.358	11,445
Improving teacher quality - state grants	84.367	76,267
Grants for State Assessments and Related Activities	84.369	130
Total		<u>805,764</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	359,217
Special Education - Preschool Grants	84.173	47,369
Total special education cluster		<u>406,586</u>
Total passed-through the MDE		<u>1,212,350</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		1,212,350
TOTAL FOR ALL FEDERAL AWARDS		<u>\$1,857,173</u>

Notes to Schedule

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

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

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,572,175	7,431,664	355,313	702,098	1,083,100
Other	3,138,743	771,806	124,074	30,854	2,212,009
Total	\$ 12,710,918	8,203,470	479,387	732,952	3,295,109

Total number of students * 1,728

Cost per student \$ 7,356 4,747 277 424 1,907

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
 General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
 School Administration - includes expenditures for the following functions: Support Services - School Administration (2400s)
 Other - includes all expenditure functions not included in Instruction or Administration categories
 includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

Superintendent and School Board
Amory Separate School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2006, and have issued my report thereon dated November 7, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



J.E. Fortenberry, III, PC
November 7, 2006

Certified Public Accountant

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

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

Superintendent and School Board
Amory Separate School District

Compliance

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

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

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

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, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



J.E. Fortenberry, III, PC
November 7, 2006

Certified Public Accountant

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

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

Superintendent and School Board
Amory Separate School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2006, which collectively comprise Amory Separate School District's basic financial statements and have issued my report thereon dated November 7, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$45,886.87 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 my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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



J.E. Fortenberry, III, PC
November 7, 2006

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Amory Separate School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements: unqualified.
2. Material noncompliance relating to the general purpose financial statements? No.
3. Internal control over financial reporting:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses 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:
CFDA # 10.553
CFDA # 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA # 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

