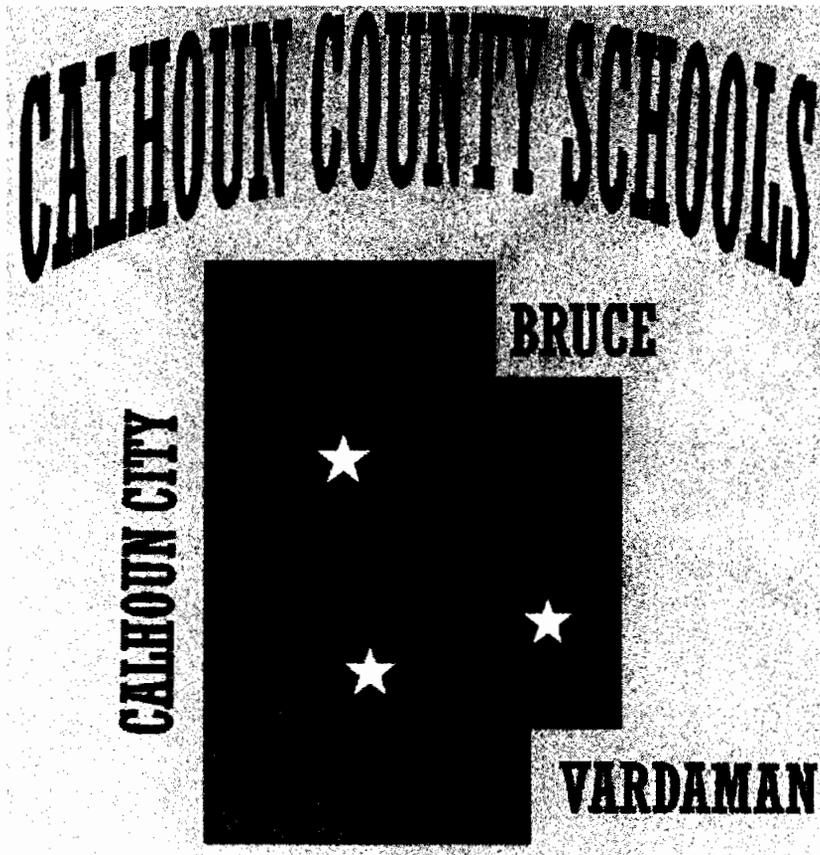




The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Calhoun County School District

Audited Financial Statements
June 30, 2006



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

FINANCIAL AUDIT REPORT

**Calhoun County School District
TABLE OF CONTENTS**

PAGE #

FINANCIAL AUDIT REPORT

Independent Auditor's Report on the Basic Financial Statements Accompanied by Required Supplemental Information and Supplemental Information	5
Management's Discussion and Analysis	8

FINANCIAL STATEMENTS

Exhibit A - Government-Wide Statement of Net Assets	18
Exhibit B - Government-Wide Statement of Activities	19
Exhibit C - Balance Sheet - Governmental Funds	20
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	22
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	24
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances to the Statement of Activities ...	26
Exhibit E - Statement of Net Assets - Fiduciary Funds	27
Exhibit F - Statement of Changes in Fiduciary Net Assets	28
Notes to the Financial Statements	30

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules	46
Notes to the Required Supplementary Information	52

SUPPLEMENTAL INFORMATION

Schedule 1 - Schedule of Expenditures of Federal Awards	54
Schedule 2 - Schedule of Instructional, Administrative, and Other Expenditures- Governmental Funds	55

INTERNAL CONTROL AND COMPLIANCE REPORTS

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"	57
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	58
Independent Auditor's Report on Compliance with State Laws and Regulations	60

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Schedule of Findings and Questioned Costs	62
-------------------------------------------------	----

INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTAL 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
Calhoun County School District

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe 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 Calhoun County 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 October 5, 2006 on my consideration of the Calhoun County 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 8 through 16 and the Budgetary Comparison Schedules and corresponding notes on pages 45 through 51 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.

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Calhoun County 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
October 5, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CALHOUN COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of Calhoun County 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

- General revenues account for \$13,983,592, or 77% of all revenues. This amount was more amount-wise than the general revenues for the year 2005, but remained the same percentage-wise. The general revenues for 2005 consisted of \$13,056,581, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,244,523, 23% of total revenues compared to \$4,036,673 in 2005.
- The district had \$18,333,514 in expenses, amount that increased when compared with the \$16,802,285 in expenses for the prior year; only \$4,244,523 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$13,983,592 were adequate to provide for these programs.
- Among major funds, the General Fund had \$14,192,203 in revenues and \$14,807,966 in expenditures. In 2005 the General Fund had \$13,215,158 in revenues and \$12,995,496 in expenditures. District-wide facility improvements and construction of new classrooms, textbook purchases in accordance with state adoptions, and purchase of three school buses were priorities for the year ended June 30, 2006 and were primary factors contributing to the General Fund's fund balance decrease of \$325,520
- Capital assets, net of accumulated depreciation, increased by \$163,469 due primarily to additions to buildings, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$320,858.
- Total net assets decreased \$105,399, which represents a 1% decrease from fiscal year 2005.

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 and other expenses 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 financial 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 Statements 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 30-44 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 46-52 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 54 and 55 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 \$7,580,742 as of June 30, 2006.

By far the largest portion of the District's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

	2006	2005	Percentage Change
Assets			
Current assets	\$ 2,232,477	2,962,046	-25%
Capital assets, net	10,220,236	10,056,767	2%
Total assets	12,452,713	13,018,813	-4%
Liabilities			
Current liabilities	99,672	239,515	-58%
Long-term liabilities	4,772,299	5,093,157	-6%
Total liabilities	4,871,971	5,332,672	-9%
Net Assets:			
Invested in capital assets, net of related debt	6,560,236	6,191,767	6%
Restricted	1,127,105	1,392,981	-19%
Unrestricted	(106,599)	101,393	-205%
Total Net Assets	\$ 7,580,742	7,686,141	-1%

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

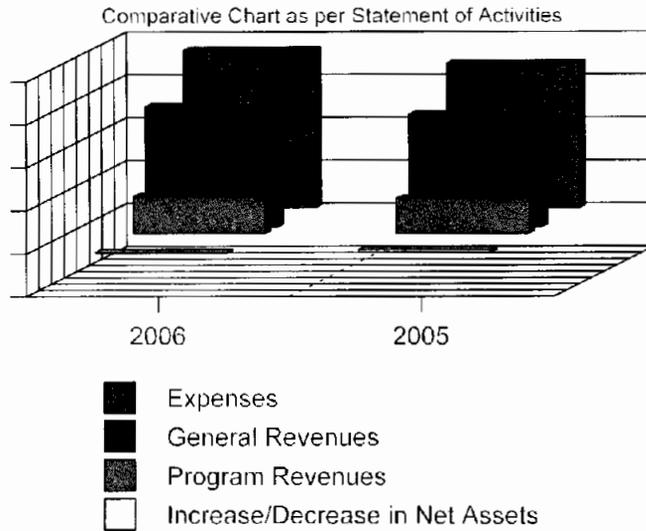
- The major cash outlay for district-wide textbook purchases and for district-wide infrastructure repairs and maintenance, much of which was not capitalized.
- The principal retirement of \$320,000 of long-term debt.

- The addition of \$290,755 in depreciable capital assets.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$18,228,115. The total cost of all programs and services was \$18,333,514. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006, and 2005, respectively.

	2006	2005	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 807,152	808,817	0%
Operating Grants and Contributions	3,361,394	3,150,978	7%
Capital Grants and Contributions	75,977	76,878	-1%
Total Program Revenues	4,244,523	4,036,673	5%
General Revenues			
Property Taxes	2,079,782	2,306,933	-10%
Unrestricted Grants and Contributions	11,271,479	10,546,431	7%
Unrestricted Investment Earnings	102,181	25,262	304%
Sixteenth Section Sources	209,471	14,737	1321%
Other	320,679	163,218	96%
Total General Revenues	13,983,592	13,056,581	7%
Total revenues	18,228,115	17,093,254	7%
Expenses			
Instruction	10,722,690	10,055,133	7%
Support services	6,052,047	5,255,037	15%
Non-instructional	1,331,181	1,260,911	6%
Interest on long-term liabilities	217,661	225,617	-4%
Sixteenth section	9,935	5,587	78%
Total expenses	18,333,514	16,802,285	9%
Increase (Decrease) in net assets	(105,399)	290,969	-136%
Net Assets, July 1	7,686,141	7,395,170	4%
Prior Period Adjustment	-	-	
Net Assets, June 30	\$ 7,580,742	7,686,139	-1%

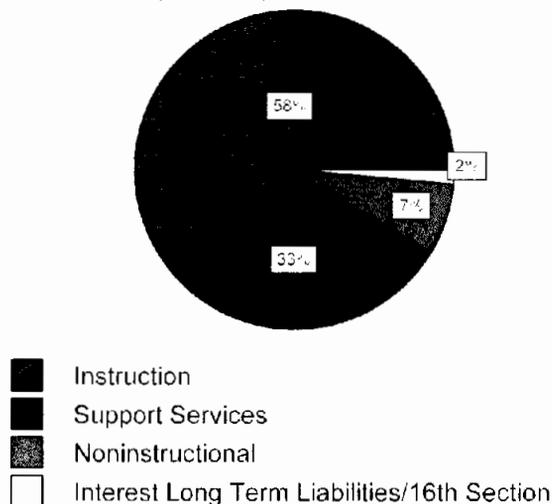
- Net cost of governmental activities (\$14,088,991), was financed by general revenue, which is made up of primarily property taxes (\$2,079,782) and state revenue (\$11,122,661).
- Investment earning accounted for \$102,181 of funding.



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

	2006	2005	2006	2005
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 10,722,690	1,055,133	(8,229,267)	(7,648,714)
Support Services	6,052,047	5,255,037	(5,927,060)	(5,214,490)
Non-Instructional	1,331,181	1,260,911	263,127	328,796
Sixteenth Section	9,935	5,587	21,870	(5,587)
Interest on Long-Term Liabilities	217,661	225,617	(217,661)	(225,617)
	\$ 18,333,514	7,802,285	(14,088,991)	(12,765,612)

Expenses 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 \$2,219,616, a decrease of \$595,473. \$2,071,409 or 93% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$148,207 or 7% 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 \$325,520. The fund balance of Other Governmental Funds showed a decrease of \$247,374. In keeping with the District's goals to provide a safe and comfortable environment to facilitate instruction, major expenditures for textbooks, school buses, and district-wide facility improvements, some of which were not capitalized, contributed to the decreased fund balance for the year ended June 30, 2006. Economic factors led to significantly higher utility costs and bus fuel costs for the year ended June 30, 2006.

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 increased primarily due to the final Adequate Education allocation, which was budgeted originally at an amount less than the tentative allocation as recommended by the Mississippi Department of Education as a safeguard for possible state funding cuts mid-year.

Budget amounts for expenditures were amended as funding sources/amounts changed. In FY 06

increases were made for higher costs of bus fuel and utilities and the continuation of district-wide facility improvement projects.

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, the Food Service Fund, the Title I - A Basic Fund, the Title II Improving Teacher Quality Fund, and EHA - IDEA Part B Grant Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets were \$17,194,117, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$540,958 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$6,973,881 and total depreciation expense for the year was \$383,738, resulting in total net capital assets of \$10,220,236.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 65,170	65,170	0%
Construction in progress	256,515	-	
Buildings	8,943,002	9,122,261	-2%
Improvements other than buildings	55,801	55,801	0%
Mobile equipment	738,984	645,833	14%
Furniture and equipment	160,764	167,702	-4%
	\$ 10,220,236	10,056,767	2%

Additional information of the District's capital assets can be found in Note 5 on page 39 of this report.

Debt Administration. At June 30, 2006, the District had \$0 in general obligation bonds outstanding and \$4,772,299 other long-term debt outstanding, of which \$335,000 is due within one year.

			Percentage
	2006	2005	Change
Limited obligation bonds payable	\$ 3,660,000	3,865,000	-5%
Three mill notes payable	965,000	1,080,000	-11%
Compensated absences	147,299	148,157	-1%
	\$ 4,772,299	5,093,157	-6%

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 6 on page 40 of this report.

CURRENT ISSUES

The Calhoun County District is financially sound and has experienced stable, even slightly increasing enrollment since FY 2001. The Monthly Attendance Record submitted to the Mississippi Department of Education for Month 9, FY 06, shows enrollment to be 2,543 students, Month 9, FY 05 enrollment was 2,527 students. 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 Calhoun County School District, 119 West Main Street, Pittsboro, MS 38951 .

FINANCIAL STATEMENTS

CALHOUN COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 1,430,499
<i>Investments</i>	119,429
<i>Due from other governments</i>	640,554
<i>Inventories and prepaid items</i>	41,995
<i>Capital assets, not being depreciated</i>	
<i>Land</i>	65,170
<i>Construction in progress</i>	256,515
<i>Capital assets, net of accumulated depreciation</i>	
<i>Buildings</i>	8,943,002
<i>Improvements other than buildings</i>	55,801
<i>Mobile equipment</i>	738,984
<i>Furniture and equipment</i>	160,764
Total Assets	<u>12,452,713</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	12,861
<i>Interest payable on long-term liabilities</i>	86,811
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	120,000
<i>Non-capital related liabilities</i>	215,000
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	3,540,000
<i>Non-capital related liabilities</i>	897,299
Total Liabilities	<u>4,871,971</u>
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	6,560,236
<i>Restricted For:</i>	
<i>School - based activities</i>	519,593
<i>Debt Service</i>	480,088
<i>Forestry Improvements</i>	78,056
<i>Unemployment Benefits</i>	49,368
<i>Unrestricted</i>	(106,599)
Total Net Assets	<u>\$ 7,580,742</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY 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:					
Instruction	10,722,690	452,745	2,040,678	--	(8,229,267)
Support services	6,052,047	--	49,010	75,977	(5,927,060)
Noninstructional services	1,331,181	322,602	1,271,706	--	263,127
Sixteenth section	9,935	31,805	--	--	21,870
Interest on long-term liabilities	217,661	--	--	--	(217,661)
Total Primary Government	<u>\$ 18,333,514</u>	<u>\$ 807,152</u>	<u>\$ 3,361,394</u>	<u>\$ 75,977</u>	<u>(14,088,991)</u>
General Revenues:					
Taxes:					
General purpose levies					2,046,655
Debt purpose levies					33,127
Unrestricted grants and contributions:					
State					11,122,661
Federal					148,818
Unrestricted investment earnings					102,181
Sixteenth section sources					209,471
Other					320,679
Total general revenues					<u>13,983,592</u>
Change in Net Assets					<u>(105,399)</u>
Net Assets - Beginning					<u>7,686,141</u>
Net Assets - Ending					<u>\$ 7,580,742</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	School Food Service Fund	Title I A Basic -
ASSETS			
<i>Cash and cash equivalents</i>	\$ 631,051	\$ 278,245	\$ --
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	170,767	--	88,284
<i>Due from other funds</i>	265,866	--	--
<i>Inventories and prepaid items</i>	25,031	16,964	--
Total Assets	\$ 1,092,715	\$ 295,209	\$ 88,284
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 12,700	\$ --	\$ --
<i>Due to other funds</i>	--	--	88,284
Total Liabilities	12,700	--	88,284
Fund balances:			
Reserved for:			
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Inventory</i>	--	16,964	--
<i>Prepaid items</i>	25,031	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	1,054,984	--	--
<i>Special Revenue funds</i>	--	278,245	--
<i>Debt service funds</i>	--	--	--
Total Fund Balances	1,080,015	295,209	--
Total Liabilities and Fund Balances	\$ 1,092,715	\$ 295,209	\$ 88,284

The accompanying notes are an integral part of this statement.

<u>Title II Improving Teacher Quality</u>	<u>EHA IDEA Part B</u>	<u>MAEP Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 521,203	\$ 1,430,499
-	-	119,429	-	119,429
34,221	98,224	196,671	52,387	640,554
-	-	-	-	265,866
-	-	-	-	41,995
<u>\$ 34,221</u>	<u>\$ 98,224</u>	<u>\$ 316,100</u>	<u>\$ 573,590</u>	<u>\$ 2,498,343</u>
\$ -	\$ -	\$ --	\$ 161	\$ 12,861
34,221	98,224	-	45,137	265,866
<u>34,221</u>	<u>98,224</u>	<u>-</u>	<u>45,298</u>	<u>278,727</u>
-	-	-	52,897	52,897
-	-	-	53,315	53,315
-	-	-	-	16,964
-	-	-	-	25,031
-	-	-	-	1,054,984
-	-	-	264,117	542,362
-	-	316,100	157,963	474,063
-	-	316,100	528,292	2,219,616
<u>\$ 34,221</u>	<u>\$ 98,224</u>	<u>\$ 316,100</u>	<u>\$ 573,590</u>	<u>\$ 2,498,343</u>

CALHOUN COUNTY 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	\$ 2,219,616
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	10,220,236
Liabilities due in one yr.	(335,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(3,540,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(86,811)
Payables for notes which are not due in the current period are not reported in the funds.	(750,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(147,299)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 7,580,742</u>

The accompanying notes are an integral part of this statement.

(THIS PAGE LEFT BLANK INTENTIONALLY)

CALHOUN COUNTY SCHOOL DISTRICT

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

	General Fund	School Food Service Fund	Title I A Basic
Revenue:			
Local sources	\$ 2,825,664	\$ 330,853	\$ --
State sources	11,152,179	7,662	--
Federal sources	214,360	985,302	662,869
Sixteenth section sources	--	--	--
Total revenues	<u>14,192,203</u>	<u>1,323,817</u>	<u>662,869</u>
Expenditures:			
Instruction	9,410,393	--	463,609
Support services	5,003,530	146,153	71,882
Noninstructional services	133,503	1,132,074	5,422
Sixteenth section	--	--	--
Facilities acquisition and construction	260,540	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Total expenditures	<u>14,807,966</u>	<u>1,278,227</u>	<u>540,913</u>
Excess (deficiency) of revenues (over) expenditures	(615,763)	45,590	121,956
Other financing sources (uses):			
Insurance loss recoveries	2,465	--	--
Operating transfers in	1,140,121	--	--
Other financing sources	39,038	--	--
Operating transfers out	(852,343)	(75,000)	(121,956)
Other financing uses	(39,038)	(56)	--
Total other financing sources (uses)	<u>290,243</u>	<u>(75,056)</u>	<u>(121,956)</u>
Net change in fund balance	(325,520)	(29,466)	--
Fund Balances:			
July 1, 2005	1,405,535	324,954	--
Increase (decrease) in reserve for inventory	--	(279)	--
June 30, 2006	<u>\$ 1,080,015</u>	<u>\$ 295,209</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Title II Improving Teacher Quality	EHA IDEA Part B	MAEP Retirement Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 1,984	\$ 77,984	\$ 3,236,485
--	--	393,342	125,593	11,678,776
192,247	599,961	--	375,335	3,030,074
--	--	--	241,276	241,276
<u>192,247</u>	<u>599,961</u>	<u>395,326</u>	<u>820,188</u>	<u>18,186,611</u>
186,284	189,812	--	358,467	10,608,565
2,137	397,182	--	463,422	6,084,306
--	--	--	5,604	1,276,603
--	--	--	9,935	9,935
--	--	--	--	260,540
--	--	205,000	115,000	320,000
--	--	182,691	41,105	223,796
<u>188,421</u>	<u>586,994</u>	<u>387,691</u>	<u>993,533</u>	<u>18,783,745</u>
3,826	12,967	7,635	(173,345)	(597,134)
--	--	--	--	2,465
--	--	--	155,711	1,295,832
--	--	--	--	39,038
(3,826)	(12,967)	--	(229,740)	(1,295,832)
--	--	(748)	--	(39,842)
<u>(3,826)</u>	<u>(12,967)</u>	<u>(748)</u>	<u>(74,029)</u>	<u>1,661</u>
--	--	6,887	(247,374)	(595,473)
--	--	309,213	775,666	2,815,368
--	--	--	--	(279)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 316,100</u>	<u>\$ 528,292</u>	<u>\$ 2,219,616</u>

CALHOUN COUNTY 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	\$ (595,473)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	547,270
The depreciation of capital assets used in governmental activities is not reported in the funds.	(383,738)
The gain or loss on the sale of capital assets is not reported in the funds.	(63)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	205,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	115,000
(Increase) decrease in accrued interest from beginning of period to end of period	6,025
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	858
Change in inventory is adjustment to Fund Balance in funds but affects Non-Instructional EX in SOA	(279)
Rounding difference	<u>1</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (105,399)</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2006

	Private-purpose Trust Fund	Agency Funds
	Bert Johnson Scholarship Fund	
Assets:		
<i>Cash and cash equivalents</i>	\$ 5,000	\$ 844,344
Total Assets	\$ 5,000	\$ 844,344
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	--	\$ 767,422
<i>Due to student clubs</i>	--	76,922
Total Liabilities	--	\$ 844,344
Net Assets		
Reserved for endowments	\$ 5,000	
Total Net Assets	\$ 5,000	

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Private- Purpose Trusts
Additions:	
Contributions from private sources	\$ 5,000
Total Additions	<u>5,000</u>
Deductions:	
Scholarship Awards	2,500
Total Deductions	<u>2,500</u>
Change in Net Assets	2,500
Net Assets-Beginning of the Year	2,500
Net Assets-End of the Year	<u>\$ 5,000</u>

The accompanying notes are an integral part of this statement.

Calhoun County School District

Notes to the Financial Statements
June 30, 2006

Calhoun County 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 which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all 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 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.

Calhoun County School District

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

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.

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.

School Food Service Fund - This is the school district fund for the recording of transactions related to the food service program.

Title I - A Basic - This fund accounts for the transactions of the Title I Grant. This is a federal grant available to local educational agencies.

Calhoun County School District

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

Title II - Improving Teacher Quality - This fund is used to account for the revenues and expenditures associated with the Improving Teacher Quality Grant.

EHA, IDEA Part B Fund - This fund accounts for the transactions of the special education grants to states program.

MAEP Retirement Fund - This fund is used to account for revenues used to retire the principal and interest on the MAEP Fund.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital 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.

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.

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

Calhoun County School District

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

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand 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.

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.

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

I. Capital Assets.

Calhoun County School District

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

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

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

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

J. Long-term liabilities.

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

Calhoun County School District

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

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

Calhoun County School District

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

resources even though they are a component of net current assets.

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

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

Unreserved, undesignated - they represent portions of fund equity that are not legally segregated for a specific future use and are available for current operations.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report 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 Calhoun County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for*

Calhoun County School District

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

Impairment of Capital Assets and for Insurance Recoveries for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (3), 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. Amount less than \$100 can be credited to the General Fund.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$1,430,499, and \$849,344 respectively. The carrying

Calhoun County School District

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

amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$1,430,499. The bank balance was \$3,386,636.

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 \$3,386,636 was exposed to custodial credit risk.

Investments.

As of June 30, 2006, the district had the following investments in the Hancock Bank's Trust Department investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market Funds	N/A	\$ <u>119,429</u>	A

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 investments 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, \$119,429 of the underlying securities are held by the investment's counterparty, not in the name of the district.

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

Issuer	Fair Value	% of Total Investments
--------	------------	------------------------

Calhoun County School District

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

Hancock Horizon Treasury Sec. Money Mar- ket CI A	119,429	100%
	<u>119,429</u>	
	\$	
	<u><u>119,429</u></u>	

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental Funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 265,866	\$ 0
Title I - A Basic	0	88,284
Title II - Improving Teacher Quality	0	34,221
EHA IDEA Part B Grant	0	98,224
Other governmental funds	<u>0</u>	<u>45,137</u>
Total Funds	\$265,866	\$265,866

The purpose of the Due From/To other funds balances was to eliminate deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 1,140,121	\$ 852,343
School Food Service Fund	0	75,000
Title I - A Basic	0	121,956
Title II - Improving Teacher Quality	0	3,826
EHA IDEA Part B	0	12,967
Other Governmental Funds	<u>155,711</u>	<u>229,740</u>
Total Funds	\$ 1,295,832	\$1,295,832

The purpose of the transfers was to reimburse federal administrative costs, to move indirect cost to operating account, for construction uses, etc. All transfers were routine and consistent with the fund making the transfer.

(5) Capital Assets.

Calhoun County School District

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

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

	Balance 7-01-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 65,170					65,170
Construction in progress	0	256,515		0		256,515
Total non-depreciable capital assets	65,170	256,515	0	0	0	321,685
<u>Depreciable capital assets:</u>						
Buildings	13,773,904	50,000				13,823,904
Improvements other than buildings	279,007					279,007
Mobile equipment	1,990,182	202,456				2,192,638
Furniture and equipment	544,896	38,299	6,312			576,883
Total depreciable capital assets	16,587,989	290,755	6,312	0	0	16,872,432
<u>Less accumulated depreciation for:</u>						
Buildings	4,651,643	229,259			0	4,880,902
Improvements other than buildings	223,206					223,206
Mobile equipment	1,344,349	109,305				1,453,654
Furniture and equipment	377,194	45,174	6,249			416,119
Total accumulated depreciation	6,596,392	383,738	6,249	0	0	6,973,881
Total depreciable capital assets, net	9,991,597	(92,983)	63	0	0	9,898,551
Governmental activities capital assets, net	\$ 10,056,767	163,532	63	0	0	10,220,236

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 198,336
Support Services	170,197
Non-instructional	15,205
Total depreciation expense	<u>\$ 383,738</u>

Commitments under construction contracts at June 30, 2006, are summarized as follows:

	<u>Remaining Commitment</u>
P.E. Building at Bruce Upper Elementary	\$ 64,819
Total	\$ 64,819

Calhoun County School District

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

(6) 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	Adjustments	Balance 6-30-2006	Amounts due within one year
A. Limited obligation bonds payable	3,865,000		205,000		3,660,000	215,000
B. Three mill notes payable	1,080,000		115,000		965,000	120,000
C. Compensated absences payable	148,157		858		147,299	
Total	\$ 5,093,157	0	320,858	0	4,772,299	335,000

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
MAEP Capital Improvement	varies	06/98	02/18	\$4,625,000	\$3,660,000

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

Year Ending June 30,	Principal	Interest	Total
2007	\$215,000	\$170,860	\$385,860
2008	225,000	157,660	382,660
2009	235,000	143,978	378,978
2010	245,000	131,655	376,655
2011	260,000	120,415	380,415
2012-2016	1,485,000	404,555	1,889,555
2017-2021	995,000	58,388	1,053,388
Total	\$3,660,000	\$1,187,511	\$4,847,511

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 37-151-7 of the Mississippi Code Ann. (1972). The state aid capital improve-

Calhoun County School District

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

ment bonds are not included in the computation of the debt limit percentage. This debt will be retired from the fund 4041 (MAEP Retirement Fund).

B. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Ltd. Tax Note	4.02%	9/5/02	9/1/12	\$1,300,000	\$965,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$120,000	\$36,381	\$156,381
2008	125,000	31,457	156,457
2009	130,000	26,331	156,331
2010	140,000	20,904	160,904
2011	145,000	15,175	160,175
2012-2013	<u>305,000</u>	<u>12,362</u>	<u>317,362</u>
Total	<u>\$965,000</u>	<u>\$142,610</u>	<u>\$1,107,610</u>

This debt will be retired from the three mill fund.

C. Compensated Absences.

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 employee's salaries were paid.

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The

Calhoun County School District

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

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 \$1,122,451, \$951,835, and \$879,083, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2007	\$ 11,456
2008	6,043
2009	5,963
2010	5,963
2011	4,730
2012-2016	21,213
2017-2021	20,275
2022-2026	21,213
2027-2031	19,650
2032-2036	<u>863</u>
Total	<u>\$117,369</u>

(9) Other Commitments.

Commitments under construction are describe in Note 5.

(10) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Calhoun County School District

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

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 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.

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY 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	\$ 2,903,414	3,026,365	2,825,664	122,951	(200,701)
State sources	11,110,094	11,157,619	11,152,179	47,525	(5,440)
Federal sources	200,671	237,133	214,360	36,462	(22,773)
Total Revenues	14,214,179	14,421,117	14,192,203	206,938	(228,914)
Expenditures:					
Instruction	9,844,203	9,666,276	9,410,393	177,927	255,883
Support services	4,930,784	5,699,320	5,003,530	(768,536)	695,790
Noninstructional services	156,032	179,607	133,503	(23,575)	46,104
Facilities acquisition and construction	0	333,205	260,540	(333,205)	72,665
Debt Service					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total Expenditures	14,931,019	15,878,408	14,807,966	(947,389)	1,070,442
Excess (Deficiency) of Revenues Over Expenditures	(716,840)	(1,457,291)	(615,763)	(740,451)	841,528
Other Financing Sources (Uses):					
Insurance Loss Recoveries	0	2,465	2,465	2,465	0
Transfers In	351,078	1,140,154	1,140,121	789,076	(33)
Other Financing Sources	42,195	46,077	39,038	3,882	(7,039)
Other Financing Uses	(42,195)	(46,077)	(39,038)	(3,882)	7,039
Transfers out	(303,141)	(852,344)	(852,343)	(549,203)	1
Total Other Financing Sources (Uses)	47,937	290,275	290,243	242,338	(32)
Net Change in Fund Balances	(668,903)	(1,167,016)	(325,520)	(498,113)	841,496
Fund Balances:					
July 1, 2005			1,405,535	0	1,405,535
Prior period adjustments					0
July 1, 2005, as restated	0	0	1,405,535	0	1,405,535
					0
June 30, 2006	\$ (668,903)	(1,167,016)	1,080,015	(498,113)	2,247,031

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule
 School Food Service 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	\$ 280,800	280,800	330,853	0	50,053
State sources	6,500	6,500	7,662	0	1,162
Federal sources	902,000	902,000	985,302	0	83,302
Total Revenues	<u>1,189,300</u>	<u>1,189,300</u>	<u>1,323,817</u>	<u>0</u>	<u>134,517</u>
Expenditures:					
Instruction	168,978	177,778	146,153	(8,800)	31,625
Noninstructional	1,183,953	1,174,952	1,132,074	9,001	42,878
Total Expenditures	<u>1,352,931</u>	<u>1,352,730</u>	<u>1,278,227</u>	<u>201</u>	<u>74,503</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(163,631)</u>	<u>(163,430)</u>	<u>45,590</u>	<u>201</u>	<u>209,020</u>
Other Financing Sources (Uses):					
Other financing uses		(200)	(56)	(200)	144
Operating transfers out	(75,000)	(75,000)	(75,000)	0	0
Total Other Financing Sources (Uses)	<u>(75,000)</u>	<u>(75,200)</u>	<u>(75,056)</u>	<u>(200)</u>	<u>144</u>
				<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(238,631)</u>	<u>(238,630)</u>	<u>(29,466)</u>	<u>1</u>	<u>209,164</u>
Fund Balances:					
July 1, 2005			324,954	0	324,954
Prior Period Adjustments		(279)	(279)	(279)	0
June 30, 2006	\$ <u>(238,631)</u>	<u>(238,909)</u>	<u>295,209</u>	<u>(278)</u>	<u>534,118</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 3

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	\$ 701,703	764,108	662,869	62,405	(101,239)
Total Revenues	<u>701,703</u>	<u>764,108</u>	<u>662,869</u>	<u>62,405</u>	<u>(101,239)</u>
Expenditures:					
Instruction	488,203	479,800	463,609	8,403	16,191
Support services	81,436	152,400	71,882	(70,964)	80,518
Noninstructional services	8,211	6,943	5,422	1,268	1,521
Total Expenditures	<u>577,850</u>	<u>639,143</u>	<u>540,913</u>	<u>(61,293)</u>	<u>98,230</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>123,853</u>	<u>124,965</u>	<u>121,956</u>	<u>1,112</u>	<u>(3,009)</u>
Other Financing Sources (Uses):					
Operating Transfers out	0	0	(121,956)	0	(121,956)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(121,956)</u>	<u>0</u>	<u>(121,956)</u>
Net Change in Fund Balances	<u>123,853</u>	<u>124,965</u>	<u>0</u>	<u>1,112</u>	<u>(124,965)</u>
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	<u>\$ 123,853</u>	<u>124,965</u>	<u>0</u>	<u>1,112</u>	<u>(124,965)</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule
 Title II - Improving Teacher Quality
 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	\$ 200,202	192,247	192,247	(7,955)	0
Total Revenues	<u>200,202</u>	<u>192,247</u>	<u>192,247</u>	<u>(7,955)</u>	<u>0</u>
Expenditures:					
Instruction	200,202	186,287	186,284	13,915	3
Support services	0	2,137	2,137	(2,137)	0
Total Expenditures	<u>200,202</u>	<u>188,424</u>	<u>188,421</u>	<u>11,778</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>3,823</u>	<u>3,826</u>	<u>3,823</u>	<u>3</u>
Other Financing Sources (Uses):					
Operating Transfers out	0	(3,826)	(3,826)	(3,826)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(3,826)</u>	<u>(3,826)</u>	<u>(3,826)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>(3)</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	<u>\$ 0</u>	<u>(3)</u>	<u>0</u>	<u>(3)</u>	<u>(3)</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 5

Budgetary Comparison Schedule

EHA IDEA Part B Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 700,846	689,505	599,961	(11,341)	(89,544)
Total Revenues	<u>700,846</u>	<u>689,505</u>	<u>599,961</u>	<u>(11,341)</u>	<u>(89,544)</u>
Expenditures:					
Instruction	330,759	230,946	189,812	99,813	41,134
Support services	<u>370,087</u>	<u>445,592</u>	<u>397,182</u>	<u>(75,505)</u>	<u>48,410</u>
Total Expenditures	<u>700,846</u>	<u>676,538</u>	<u>586,994</u>	<u>24,308</u>	<u>89,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>12,967</u>	<u>12,967</u>	<u>12,967</u>	<u>0</u>
Other Financing Sources (Uses):					
Operating Transfers out	<u>0</u>	<u>(12,967)</u>	<u>(12,967)</u>	<u>(12,967)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(12,967)</u>	<u>(12,967)</u>	<u>(12,967)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2005	0	0	0	0	0
June 30, 2006	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Calhoun County 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

Calhoun County 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	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$68,210
Child Nutrition Cluster:		
School Breakfast Program	10.553	249,655
National School Lunch Program	10.555	673,042
Total child nutrition cluster		<u>922,697</u>
Total passed-through the MDE		<u>990,907</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		990,907
FEDERAL COMMUNICATION COMMISSION Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	74,032
Total Federal Communication Commission		<u>74,032</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Board for Community and Junior Colleges:		
Adult Education - State Grant Program	84.002	102,796
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	662,869
Vocational Education - Basic Grant to States	84.048	32,980
Safe and Drug Free Schools and Communities - State Grants	84.186	18,899
Foreign Language Assistance	84.293	50,083
State Grants for Innovative Programs	84.298	9,281
Education Technology State Grants	84.318	12,687
Rural Education	84.358	80,891
Improving Teacher Quality - State Grants	84.367	192,247
Grants for State Assessments and Related Activities	84.369	17,424
Hurricane Education Recovery	84.938	59,054
Special Education Cluster:		
Special Education - Grants to States	84.027	599,961
Special Education - Preschool Grants	84.173	18,617
Total special education cluster		<u>618,578</u>
Total passed-through the MDE		<u>1,857,789</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		1,857,789
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,922,728</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.

Calhoun County 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	\$ 13,485,508	10,608,565	532,443	832,109	1,512,391
Other	5,298,237	-	146,752	35,792	5,115,693
Total	\$ 18,783,745	10,608,565	679,195	867,901	6,628,084

Total number of students * 2,543

Cost per student \$ 7,386 4,172 267 341 2,606

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
Calhoun County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2006, which collectively comprise Calhoun County School District's basic financial statements and have issued my report thereon dated October 5, 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 I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 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
October 5, 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
Calhoun County School District

Compliance

I have audited the compliance of the Calhoun County 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 Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grant agreements 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 management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Calhoun County 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 Calhoun County 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 our auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition

AICPA & MSCPA

1929 Spillway Road, Suite B, Brandon, MS 39047, Telephone (601)992-5292

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
October 5, 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
Calhoun County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2006, which collectively comprise Calhoun County School District's basic financial statements and have issued my report thereon dated October 5, 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 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 \$109.47 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 disclosed no 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
October 5, 2006

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - (1) Material weaknesses identified? No.
 - (2) 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 was: \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

