



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.



CARROLL COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT SECTION  
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information ..... 2

MANAGEMENT'S DISCUSSION AND ANALYSIS ..... 4

BASIC FINANCIAL STATEMENTS  
Statement of Net Assets ..... 12  
Statement of Activities ..... 13  
Balance Sheet – Governmental Funds ..... 14  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets ..... 15  
Statement of Revenues, Expenditures and Changes in Fund Balances ..... 16  
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities ..... 17  
Statement of Fiduciary Net Assets ..... 18  
Notes to Financial Statements ..... 19

REQUIRED SUPPLEMENTARY INFORMATION ..... 32  
Budgetary Comparison Schedule - General Fund ..... 33  
Budgetary Comparison Schedule - 16th Section Interest Fund ..... 34  
Budgetary Comparison Schedule - 16th Section Principal Fund ..... 35  
Notes to Required Supplementary Information ..... 36

SUPPLEMENTAL INFORMATION ..... 37  
Schedule of Expenditures of Federal Awards ..... 38  
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds ..... 39

REPORTS ON INTERNAL CONTROL AND COMPLIANCE ..... 40  
Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 41  
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 ..... 42

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS ..... 44  
Independent Auditor's Report on Compliance with State Laws and Regulations ..... 45

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 46  
Schedule of Findings and Questioned Costs ..... 47

AUDITEE'S CORRECTIVE ACTION PLAN ..... 49  
Auditee's Corrective Action Plan ..... 50

**JOEL B. CUNNINGHAM**

CERTIFIED PUBLIC ACCOUNTANT  
202 CHURCH STREET  
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675  
(662) 247-2416

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

Superintendent and School Board  
Carroll County School District

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

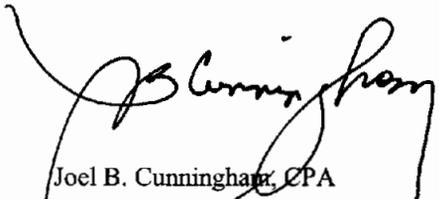
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll 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*, we have also issued our report dated February 8, 2007 on our consideration of the Carroll County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages (4) through (10) and the Budgetary Comparison Schedule and corresponding notes on pages (32) through (36) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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, we did not audit the information and express no opinion on it.

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



Joel B. Cunningham, CPA

February 8, 2007

CARROLL COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Carroll 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

- Total net assets increased \$288,440, which represents a 6% increase from fiscal year 2005.
- General revenues account for \$7,041,886 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,979,242 or 22% of total revenues.
- The District had \$8,732,688 in expenses; only \$1,979,242 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,041,886 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,927,546 in revenues and \$6,500,875 in expenditures. The General Fund's fund balance decreased \$1,247,219 over the prior year. The 16<sup>th</sup> Section Interest Fund had \$557,252 in revenues and \$34,416 in expenses with a \$437,535 decrease in fund balance. The 16<sup>th</sup> Section Principal Fund had \$309,262 in revenues and \$89,489 in expenses with a \$160,600 increase in fund balance. The Construction fund had \$18,688 in revenues and \$2,073,500 in expenses with a \$477,812 decrease in fund balance.
- Capital assets, net of accumulated depreciation, increased by \$2,055,156.
- Long-term debt decreased by \$188,284.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes

and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on Exhibit A and B of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 15 and 17, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School*. 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 Exhibit C and D 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 the Statement of Fiduciary Net Assets on page 18.

**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 19-31 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 32-36 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 38 of this report. The Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds can be found on page 39.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$5,004,664 as of June 30, 2006.

Of the District's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases 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.

	<u>2006</u>	<u>2005</u>	Percentage Change
Current assets	\$ 2,600,816	\$ 4,744,418	-45.2%
Capital assets, net	<u>5,516,342</u>	<u>3,461,186</u>	59.4%
<b>Total assets</b>	<u>8,117,158</u>	<u>8,205,604</u>	-1.1%
Current liabilities	85,798	274,400	-68.7%
Long-term debt outstanding	<u>3,026,696</u>	<u>3,214,980</u>	-5.9%
<b>Total liabilities</b>	<u>3,112,494</u>	<u>3,489,380</u>	-10.8%
<b>Net assets:</b>			
Invested in capital assets, net of related debt	3,021,851	1,259,507	139.9%
Restricted	2,357,067	2,136,501	10.3%
Unrestricted	<u>(374,254)</u>	<u>1,320,216</u>	-128.3%
<b>Total net assets</b>	<u>\$ 5,004,664</u>	<u>\$ 4,716,224</u>	6.1%

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

- \$2,200,758 capital additions, including construction of the new gymnasium.
- The principal retirement of \$185,000 of long-term debt.
- \$1,527,000 loan from the 16<sup>th</sup> Section Principal fund to the General fund to finance the new gym construction.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006, were \$9,021,128. The total cost of all programs and services was \$8,732,688. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

	2006	2005	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 245,275	\$ 202,295	21.2%
Operating grants and contributions	1,733,967	1,894,525	-8.5%
General revenues:			
Property taxes	1,659,846	1,559,254	6.5%
Grants and other contributions not restricted	4,424,185	4,313,215	2.6%
Other	957,855	754,747	26.9%
<b>Total revenues</b>	<u>9,021,128</u>	<u>8,724,036</u>	3.4%
<b>Expenses:</b>			
Instruction	4,752,302	4,510,283	5.4%
Support services	3,202,749	3,106,480	3.1%
Non-instructional	484,393	515,438	-6.0%
Sixteenth section	154,413	79,827	93.4%
Interest on long-term liabilities	138,831	121,979	13.8%
<b>Total expenses</b>	<u>8,732,688</u>	<u>8,334,007</u>	4.8%
<b>Increase in net assets</b>	288,440	390,029	-26.0%
Net assets, July 1	4,716,224	4,326,195	9.0%
Net assets, June 30	<u>\$ 5,004,664</u>	<u>\$ 4,716,224</u>	6.1%

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

	Total Expenses		Net (Expense) Revenue	
	2006	2005	2006	2005
Instruction	\$ 4,752,302	4,510,283	\$ (3,638,353)	\$ (3,340,439)
Support services	3,202,749	3,106,480	(2,566,653)	(2,406,874)
Non-instructional	484,393	515,438	(326,930)	(337,947)
Sixteenth section	154,413	79,827	(82,679)	(29,948)
Interest on long-term liabilities	138,831	121,979	(138,831)	(121,979)
<b>Total expenses</b>	<u>\$ 8,732,688</u>	<u>\$ 8,334,007</u>	<u>\$ (6,753,446)</u>	<u>\$ (6,237,187)</u>

- Net cost of governmental activities \$6,753,446 was financed by general revenue, which is made up of primarily property taxes of \$1,659,846 and state revenue of \$4,362,888.
- Investment earnings accounted for \$112,521 of funding.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,563,759, a decrease of \$1,957,940. \$2,451,693 or 96%

of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$112,066 or 4% 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 \$1,247,219, a result of transfers to other funds, including a \$1,527,000 loan from the 16<sup>th</sup> Section Principal fund for construction of a new gym.

The fund balance of the 16<sup>th</sup> Section Interest Fund decreased \$437,535 due to transfers to the General Fund. The fund balance of the 16<sup>th</sup> Section Principal Fund increased \$160,600 due to normal operations. The fund balance of the Construction Fund decreased \$477,812 due to construction of the new gym. The fund balance of Other Governmental Funds showed an increase of \$39,781, due primarily to interfund transfers and loan proceeds.

### BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for expenditures were increased for unexpected costs incurred by the district in the areas of instruction and support services.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, 16<sup>th</sup> Section Interest Fund, and 16<sup>th</sup> Section Principal 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 \$7,457,095 including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,146,088 from the previous year. Total accumulated depreciation as of June 30, 2006, was \$1,940,753 and total depreciation expense for the year was \$138,521, resulting in total net assets of \$5,516,342.

	Capital assets, Net of Depreciation		
	2006	2005	Percentage Change
Land	\$ 46,921	\$ 46,921	0.0%
Construction in progress	2,330,726	209,130	1014.5%
Buildings	2,647,908	2,705,859	-2.1%
Improvements other than buildings	102,070	107,690	-5.2%
Mobile equipment	364,732	353,498	3.2%
Furniture and equipment	23,985	38,088	-37.0%
Total	<u>\$ 5,516,342</u>	<u>\$ 3,461,186</u>	<u>59.4%</u>

Additional information of the District's capital assets can be found in Note 5 on page 27 of this report.

**Debt Administration.** At June 30, 2006, the District had \$3,026,696 in general obligation bonds and other long-term debt outstanding, of which \$190,000 is due within one year.

	Outstanding Debt		Percentage Change
	2006	2005	
Limited obligation bonds payable	\$ 1,625,000	\$ 1,720,000	-5.5%
Limited tax note payable	1,360,000	1,450,000	-6.2%
Compensated absences payable	41,696	44,980	-7.3%
Total	<u>\$ 3,026,696</u>	<u>\$ 3,214,980</u>	<u>-5.9%</u>

The District maintains an A+ bond rating.

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

**CURRENT ISSUES**

The Carroll County School District is located in Carrollton, Mississippi. The School District is comprised of three schools, J.Z. George High School and Marshall Elementary School both of which are located in North Carrollton and Hathorn Elementary School located in Vaiden, Mississippi. The J.Z. George High School serves grades 7-12. The Marshall Elementary School serves grades K-6. The Hathorn Elementary School serves grades K-6.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Carroll County School District, P.O. Box 256, Carrollton, MS 38917 or by phone at (662) 237-9276.

CARROLL COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

CARROLL COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2006

Exhibit A

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,891,095
Cash with fiscal agents	71,271
Due from other governments	255,770
Inventories and prepaid items	18,058
Other receivables	33,962
Restricted assets	330,660
Capital assets, not being depreciated:	
Land	46,921
Construction in progress	2,330,726
Capital assets, net of accumulated depreciation:	
Buildings	2,647,908
Improvements other than buildings	102,070
Mobile equipment	364,732
Furniture and equipment	23,985
	<hr/>
Total assets	8,117,158
<b>LIABILITIES</b>	
Accounts payable	19,557
Performance bonds payable	17,500
Interest payable on long-term liabilities	48,741
Long-term liabilities (due within one year)	
Capital-related liabilities	190,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	2,795,000
Non-capital related liabilities	41,696
	<hr/>
Total liabilities	3,112,494
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,021,851
Restricted net assets:	
Expendable:	
School-based activities	168,840
Debt service	38,036
Forestry improvements	80,310
Unemployment benefits	13,698
Non-expendable:	
Sixteenth section principal	2,056,183
Unrestricted	(374,254)
	<hr/>
Total net assets	<u>\$ 5,004,664</u>

CARROLL COUNTY SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 4,752,302	115,140	998,809	-	(3,638,353)
Support services	3,202,749	-	636,096	-	(2,566,653)
Non-instructional	484,393	58,401	99,062	-	(326,930)
Sixteenth section	154,413	71,734	-	-	(82,679)
Interest on long-term liabilities	138,831	-	-	-	(138,831)
<b>Total governmental activities</b>	<b>\$ 8,732,688</b>	<b>245,275</b>	<b>1,733,967</b>	<b>-</b>	<b>(6,753,446)</b>

General Revenues:

Taxes:

General purpose levies 1,536,805

Debt purpose levies 123,041

Unrestricted grants and contributions:

State 4,362,888

Federal 61,297

Unrestricted investment earnings 112,521

Sixteenth section sources 787,592

Other 57,742

**Total General Revenues 7,041,886**

Change in Net Assets 288,440

Net Assets - Beginning 4,716,224

Net Assets - Ending \$ 5,004,664

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

CARROLL COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2006

Exhibit C

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Construction Fund		
<b>ASSETS</b>						
Cash and cash equivalents	\$ 368,801	767,749	330,660	490,509	264,036	2,221,755
Cash with fiscal agents	-	-	-	-	71,271	71,271
Due from other governments	98,202	-	-	-	157,568	255,770
Due from other funds	182,629	-	-	-	-	182,629
Other receivables	-	-	-	-	-	-
Advances to other funds	-	-	1,725,523	-	-	1,725,523
Inventories and prepaid items	-	-	-	-	18,058	18,058
<b>Total Assets</b>	<b>\$ 649,632</b>	<b>767,749</b>	<b>2,056,183</b>	<b>490,509</b>	<b>510,933</b>	<b>4,475,006</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 6,916	-	-	-	12,641	19,557
Performance bonds payable	-	17,500	-	-	-	17,500
Due to other funds	-	-	-	-	148,667	148,667
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Advances from other funds	1,725,523	-	-	-	-	1,725,523
<b>Total Liabilities</b>	<b>1,732,439</b>	<b>17,500</b>	<b>-</b>	<b>-</b>	<b>161,308</b>	<b>1,911,247</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Advances	(1,725,523)	-	1,725,523	-	-	-
Inventory	-	-	-	-	18,058	18,058
Unemployment benefits	-	-	-	-	13,698	13,698
Forestry improvements	-	-	-	-	80,310	80,310
<b>Unreserved:</b>						
<b>Designated, reported in:</b>						
Capital Projects Fund	-	-	-	490,509	-	490,509
Debt Service Fund	-	-	-	-	86,777	86,777
<b>Undesignated, reported in:</b>						
General Fund	642,716	-	-	-	-	642,716
Special Revenue Funds	-	750,249	-	-	150,782	901,031
Permanent Funds	-	-	330,660	-	-	330,660
<b>Total Fund Balances</b>	<b>(1,082,807)</b>	<b>750,249</b>	<b>2,056,183</b>	<b>490,509</b>	<b>349,625</b>	<b>2,563,759</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 649,632</b>	<b>767,749</b>	<b>2,056,183</b>	<b>490,509</b>	<b>510,933</b>	<b>4,475,006</b>

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,563,759
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,940,753	5,516,342
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(3,026,696)
3. Interest payable on long-term debt attributable to the current period is not reported in the funds until it's due.	<u>(48,741)</u>
Total Net Assets - Governmental Activities	<u><u>\$ 5,004,664</u></u>

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

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Construction Fund		
<b>Revenues:</b>						
Local sources	\$ 1,717,644	-	-	18,688	184,640	1,920,972
State sources	4,151,738	-	-	-	454,880	4,606,618
Federal sources	58,164	-	-	-	1,492,769	1,550,933
Sixteenth section sources	-	557,252	309,262	-	76,091	942,605
Total Revenues	<u>5,927,546</u>	<u>557,252</u>	<u>309,262</u>	<u>18,688</u>	<u>2,208,380</u>	<u>9,021,128</u>
<b>Expenditures:</b>						
Instruction	3,699,258	-	-	-	963,033	4,662,291
Support services	2,745,013	-	-	-	481,145	3,226,158
Noninstructional services	-	-	-	-	492,084	492,084
Sixteenth section	-	34,416	89,489	-	30,508	154,413
Facilities acquisition and construction	48,096	-	-	2,073,500	-	2,121,596
Debt service:						
Principal	-	-	-	-	185,000	185,000
Interest	8,508	-	-	-	133,263	141,771
Total Expenditures	<u>6,500,875</u>	<u>34,416</u>	<u>89,489</u>	<u>2,073,500</u>	<u>2,285,033</u>	<u>10,983,313</u>
<b>Excess (Deficiency) of Revenues</b>						
Over Expenditures	<u>(573,329)</u>	<u>522,836</u>	<u>219,773</u>	<u>(2,054,812)</u>	<u>(76,653)</u>	<u>(1,962,185)</u>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	1,030,064	35,917	-	1,577,000	246,944	2,889,925
Operating transfers out	(1,703,954)	(996,288)	(59,173)	-	(130,510)	(2,889,925)
Total Other Financing Sources (Uses)	<u>(673,890)</u>	<u>(960,371)</u>	<u>(59,173)</u>	<u>1,577,000</u>	<u>116,434</u>	<u>-</u>
Net Change in Fund Balances	(1,247,219)	(437,535)	160,600	(477,812)	39,781	(1,962,185)
<b>Fund Balances:</b>						
July 1, 2005	164,412	1,187,784	1,895,583	968,321	305,599	4,521,699
Increase in reserve for inventory	-	-	-	-	4,245	4,245
June 30, 2006	<u>\$ (1,082,807)</u>	<u>\$ 750,249</u>	<u>\$ 2,056,183</u>	<u>\$ 490,509</u>	<u>\$ 349,625</u>	<u>\$ 2,563,759</u>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (1,962,185)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$2,200,758 and the depreciation expense amounted to \$138,521.	2,062,237
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.	185,000
4. Gains or losses on disposal of fixed assets are not reported in the governmental funds but are recognized on the statement of activities, net of proceeds.	(7,081)
5. Interest payable on long-term debt is not recognized as an expenditure in the governmental funds but is recognized on the statement of activities.	2,940
6. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the statement of activities.	4,245
7. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	<u>3,284</u>
Change in Net Assets of Governmental Activities	<u>\$ 288,440</u>

CARROLL COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Net Assets  
June 30, 2006

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 845,364</u>
Total Assets	<u><u>\$ 845,364</u></u>
Liabilities	
Accounts payable	\$ 441,588
Accrued payroll liabilities	345,301
Due to other funds	33,962
Other payables	<u>24,513</u>
Total Liabilities	<u><u>\$ 845,364</u></u>

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

CARROLL COUNTY SCHOOL DISTRICT

Notes to the 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 5 member board to which each member was elected by the citizens of each defined county district

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

## CARROLL COUNTY SCHOOL DISTRICT

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

### 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. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The School District reports the following major governmental funds:

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

**Sixteenth Section Interest Fund**- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Interest Fund. Those revenues and expenditures include, but are not limited to, timber sales, interest on investments, leases, land improvements, purchase of investments and transfers to district maintenance.

**Sixteenth Section Principal Fund**- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

**Construction Fund** - This fund is used to account for the ongoing construction of the new school gymnasium.

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

Additionally, the School District reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

CARROLL COUNTY SCHOOL DISTRICT

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 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 accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

CARROLL COUNTY SCHOOL DISTRICT

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

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

I. Capital Assets.

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

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

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

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

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account, which indicates that they do

CARROLL COUNTY SCHOOL DISTRICT

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

not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 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 classified as designated and undesignated.

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

Reserved for advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

M. Property Taxes.

CARROLL COUNTY SCHOOL DISTRICT

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

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

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

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

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

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

Cash and Cash Equivalents.

CARROLL COUNTY SCHOOL DISTRICT

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,221,755 and \$845,364, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$1,891,095 and restricted assets - \$330,660. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund), which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,378,952.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions' trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$3,378,952 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$71,271.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 182,629	-
Other Governmental Funds	-	148,667
Agency Funds	-	33,962
<b>Total Funds</b>	<u>\$ 182,629</u>	<u>182,629</u>

The primary purpose of the interfund receivables and payables are to close out the federal programs at year end. All interfund receivables and payable are expected to be paid within one year.

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$ -	1,725,523
16 <sup>th</sup> section principal fund	1,725,523	-
<b>Total Funds</b>	<u>\$ 1,725,523</u>	<u>1,725,523</u>

Note: The sixteenth section principal loan payable is not reflected on the statement of net assets because these funds were borrowed by the general fund for construction of the new gym from the sixteenth section principal fund (permanent fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D.

CARROLL COUNTY SCHOOL DISTRICT

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

Sixteenth section principal loans payable.

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

Year Ending June 30,	Principal	Interest	Total
2007	\$ 14,180	\$ 7,941	\$ 22,121
2008	14,180	7,374	21,554
2009	14,180	6,807	20,987
2010	14,180	6,239	20,419
2011	14,180	5,672	19,852
2012-2016	70,902	19,852	90,754
2017-2020	56,721	5,672	62,393
	<u>\$ 198,523</u>	<u>\$ 59,557</u>	<u>\$ 258,080</u>

Year Ending June 30,	Principal	Interest	Total
2007	\$ 76,350	\$ 61,080	\$ 137,430
2008	76,350	58,026	134,376
2009	76,350	54,972	131,322
2010	76,350	51,918	128,268
2011	76,350	48,864	125,214
2012-2016	381,750	198,510	580,260
2017-2021	381,750	122,160	503,910
2022-2026	381,750	45,810	427,560
	<u>\$ 1,527,000</u>	<u>\$ 641,340</u>	<u>\$ 2,168,340</u>

C. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 1,030,064	1,703,954
16 <sup>th</sup> Section interest fund	35,917	996,288
16 <sup>th</sup> section principal fund	-	59,173
Construction fund	1,577,000	-
Other Governmental Funds	246,944	130,510
Total Funds	<u>\$ 2,889,925</u>	<u>2,889,925</u>

The primary purpose of the interfund transfers out of the general fund was to finance basic operations of the district that are not directly funded and for construction of the new gym. The primary reason for the transfer out the 16<sup>th</sup> section interest fund to the district maintenance fund was for day to day operations as needed. The remaining interfund activity was a result of normal operating activities.

CARROLL COUNTY SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 7/1/2005	Additions	Retirements	Balance 6/30/2006
<u>Non-depreciable capital assets:</u>				
Land	\$ 46,921	-	-	46,921
Construction in progress	209,130	2,121,596	-	2,330,726
Total non-depreciable capital assets	256,051	2,121,596	-	2,377,647
<u>Depreciable capital assets:</u>				
Buildings	3,508,309	-	-	3,508,309
Improvements other than buildings	175,639	-	-	175,639
Mobile equipment	1,156,516	62,535	(46,308)	1,172,743
Furniture and equipment	214,492	16,627	(8,362)	222,757
Total depreciable capital assets	5,054,956	79,162	(54,670)	5,079,448
<u>Less accumulated depreciation for:</u>				
Buildings	802,450	57,951	-	860,401
Improvements other than buildings	67,949	5,620	-	73,569
Mobile equipment	803,018	46,669	(41,676)	808,011
Furniture and equipment	176,404	28,281	(5,913)	198,772
Total accumulated depreciation	1,849,821	138,521	(47,589)	1,940,753
Total depreciable capital assets, net	3,205,135	(59,359)	(7,081)	3,138,695
Governmental activities capital assets, net	\$ 3,461,186	2,062,237	(7,081)	5,516,342

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 86,215
Support services	47,912
Non-instructional	4,394
Total depreciation expense	\$ 138,521

CARROLL COUNTY SCHOOL DISTRICT

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

(6) Long-term liabilities.

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

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	Amounts due Within one year
A. Limited obligation bonds payable	\$ 1,720,000	-	(95,000)	1,625,000	100,000
B. Limited tax note payable	1,450,000	-	(90,000)	1,360,000	90,000
C. Compensated absences	44,980	-	(3,284)	41,696	-
Total	<u>\$ 3,214,980</u>	<u>-</u>	<u>(188,284)</u>	<u>3,026,696</u>	<u>190,000</u>

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement	varies	5/1/1998	2/1/2018	\$ 1,955,000	\$ 1,625,000
Total				<u>\$ 1,955,000</u>	<u>\$ 1,625,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 100,000	73,074	173,074
2008	105,000	68,177	173,177
2009	110,000	63,560	173,560
2010	115,000	58,610	173,610
2011	120,000	53,380	173,380
2012-2016	690,000	176,075	866,075
2017-2018	<u>385,000</u>	<u>21,256</u>	<u>406,256</u>
Total	<u>\$ 1,625,000</u>	<u>514,132</u>	<u>2,139,132</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Debt Retirement Fund.

CARROLL COUNTY SCHOOL DISTRICT

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

B. Limited tax note payable.

During the fiscal year June 30, 2005, the District signed a limited tax note in the amount of \$1,450,000 at 3.79% interest over 12 years, for the purpose of paying the costs of acquiring, improving, constructing, renovating, repairing, heating, cooling and equipping school buildings and related facilities, perform site work therefore, purchasing school buses and transportation equipment, refinancing outstanding debt of the District and paying the costs of such borrowing. Of the proceeds, the District used \$350,000 to pay off the remaining debt balances on the three mill note payable and the building purpose loan. The interest rates for the three mill note payable and building purpose loan would have averaged 4.9% and 4.55%, respectively, over their maturity. Total interest expense at the original rates would have been \$31,844 over their maturity and total interest expense at the new rate will be \$25,392 over the maturity, resulting in an economic gain of \$6,452 for the District.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note payable	3.79%	4/15/2006	4/15/2018	\$ 1,450,000	\$ 1,360,000
Total				<u>\$ 1,450,000</u>	<u>\$ 1,360,000</u>

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 90,000	\$ 51,544	\$ 141,544
2008	95,000	48,133	143,133
2009	100,000	44,532	144,532
2010	110,000	40,743	150,743
2011	115,000	36,574	151,574
2012-2016	635,000	114,837	749,837
2017-2018	<u>215,000</u>	<u>10,801</u>	<u>225,801</u>
Total	<u>\$ 1,360,000</u>	<u>\$ 347,164</u>	<u>\$ 1,707,164</u>

This debt will be retired from the debt service fund.

C. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

CARROLL COUNTY SCHOOL DISTRICT

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

(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 current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$531,286, \$454,598, and \$433,435, 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 June 30	Amount
2007	\$ 99,950
2008	58,370
2009	40,523
2010	35,630
2011	34,993
Thereafter	859,686
Total	<u>\$ 1,129,152</u>

(9) Risk Management.

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

**Participation in Public Entity Risk Pool.**

The School District is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of

CARROLL COUNTY SCHOOL DISTRICT

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

loss arising from injuries to the School District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MPEWCT 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 pool members would be required to pay for the deficiencies. The District has not had an additional assessment for excess losses incurred by the pool.

CARROLL COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY SCHOOL DISTRICT  
 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
<b>Revenues:</b>					
Local sources	\$ 1,840,179	1,717,643	1,717,644	(122,536)	1
State sources	4,102,012	4,151,737	4,151,738	49,725	1
Federal sources	108,000	58,164	58,164	(49,836)	-
Total Revenues	<u>6,050,191</u>	<u>5,927,544</u>	<u>5,927,546</u>	<u>(122,647)</u>	<u>2</u>
<b>Expenditures:</b>					
Instruction	3,799,015	3,735,513	3,699,258	63,502	36,255
Support services	2,614,499	2,757,708	2,745,013	(143,209)	12,695
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	4,105	48,096	48,096	(43,991)	-
Debt service:					
Principal	14,180	22,688	-	(8,508)	22,688
Interest	7,941	-	8,508	7,941	(8,508)
Total Expenditures	<u>6,439,740</u>	<u>6,564,005</u>	<u>6,500,875</u>	<u>(124,265)</u>	<u>63,130</u>
Excess of Revenues Over Expenditures	<u>(389,549)</u>	<u>(636,461)</u>	<u>(573,329)</u>	<u>(246,912)</u>	<u>63,132</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	337,905	1,147,901	1,030,064	809,996	(117,837)
Operating transfers out	<u>(169,744)</u>	<u>(318,048)</u>	<u>(1,703,954)</u>	<u>(148,304)</u>	<u>(1,385,906)</u>
Total Other Financing Sources (Uses)	<u>168,161</u>	<u>829,853</u>	<u>(673,890)</u>	<u>661,692</u>	<u>(1,503,743)</u>
Net Change in Fund Balances	(221,388)	193,392	(1,247,219)	414,780	(1,440,611)
<b>Fund Balances:</b>					
July 1, 2005	<u>164,412</u>	<u>164,412</u>	<u>164,412</u>	<u>-</u>	<u>-</u>
June 30, 2006	<u>\$ (56,976)</u>	<u>357,804</u>	<u>(1,082,807)</u>	<u>414,780</u>	<u>(1,440,611)</u>

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

CARROLL COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 280,148	551,444	557,252	271,296	5,808
Total Revenues	280,148	551,444	557,252	271,296	5,808
<b>Expenditures:</b>					
Sixteenth section	3,123	34,416	34,416	(31,293)	-
Total Expenditures	3,123	34,416	34,416	(31,293)	-
<b>Excess (Deficiency) of Revenues Over Expenditures</b>					
	277,025	517,028	522,836	240,003	5,808
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	61,249	35,917	61,249	(25,332)
Operating transfers out	(200,000)	(1,246,288)	(996,288)	(1,046,288)	250,000
Total Other Financing Sources (Uses)	(200,000)	(1,185,039)	(960,371)	(985,039)	224,668
Net Change in Fund Balances	77,025	(668,011)	(437,535)	(745,036)	230,476
<b>Fund Balances:</b>					
July 1, 2005	1,187,784	1,187,784	1,187,784	-	-
June 30, 2006	\$ 1,264,809	519,773	750,249	(745,036)	230,476

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

CARROLL COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Principal 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:					
Sixteenth section sources	\$ 229,559	317,569	309,262	88,010	(8,307)
Total Revenues	<u>229,559</u>	<u>317,569</u>	<u>309,262</u>	<u>88,010</u>	<u>(8,307)</u>
Expenditures:					
Sixteenth section	50,000	132,576	89,489	(82,576)	43,087
Total Expenditures	<u>50,000</u>	<u>132,576</u>	<u>89,489</u>	<u>(82,576)</u>	<u>43,087</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>179,559</u>	<u>184,993</u>	<u>219,773</u>	<u>5,434</u>	<u>34,780</u>
Other Financing Sources (Uses):					
Operating transfers in	-	250,000	-	250,000	(250,000)
Operating transfers out	-	(1,588,248)	(59,173)	(1,588,248)	1,529,075
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,338,248)</u>	<u>(59,173)</u>	<u>(1,338,248)</u>	<u>1,279,075</u>
Net Change in Fund Balances	179,559	(1,153,255)	160,600	(1,332,814)	1,313,855
Fund Balances:					
July 1, 2005	<u>1,895,583</u>	<u>1,895,583</u>	<u>1,895,583</u>	<u>-</u>	<u>-</u>
June 30, 2006	<u>\$ 2,075,142</u>	<u>742,328</u>	<u>2,056,183</u>	<u>(1,332,814)</u>	<u>1,313,855</u>

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

CARROLL 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.

(3) Budget Variances

The negative budget variance for the General Fund results from an advance from the Sixteenth Section Principal Fund for the gym construction project. The funds were transferred to the Construction Fund and the liability recorded at the General Fund. This transaction is in compliance with state laws and regulations and there is not a budget compliance violation.

CARROLL COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

CARROLL COUNTY SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 35,969
Child nutrition cluster:		
School breakfast program	10.553	126,896
National school lunch program	10.555	340,192
Total child nutrition cluster		<u>467,088</u>
Total U.S. Department of Agriculture		<u>503,057</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	49,881
Total Federal Communications Commission		<u>49,881</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	470,285
Vocational education- basic grants to states	84.048	21,219
Safe and drug-free schools and communities – state grants	84.186	12,989
State grants for innovative programs	84.298	3,715
Education technology state grants	84.318	8,126
Rural education	84.358	34,143
Improving teacher quality state grants	84.367	131,465
Grants for state assessments and related activities	84.369	6,617
Hurricane education recovery	84.938	98,307
Total		<u>786,866</u>
Special education cluster:		
Special education - preschool grants	84.173	7,365
Special education - grants to states	84.027	233,815
Total special education cluster		<u>241,180</u>
Total passed-through Mississippi Department of Education		<u>1,028,046</u>
Total U.S. Department of Education		<u>1,028,046</u>
Total for All Federal Awards		<u>\$ 1,580,984</u>

NOTES TO SCHEDULE

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,700,102	4,254,138	413,667	416,654	1,615,643
Other	<u>4,283,211</u>	<u>408,153</u>	<u>107,527</u>	<u>39,644</u>	<u>3,727,887</u>
Total	<u>\$ 10,983,313</u>	<u>4,662,291</u>	<u>521,194</u>	<u>456,298</u>	<u>5,343,530</u>
Total number of students *	<u>931</u>				
Cost per student	<u>\$ 11,797</u>	<u>5,008</u>	<u>560</u>	<u>490</u>	<u>5,740</u>

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

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

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

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

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

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

CARROLL COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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  
Carroll County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2006, which collectively comprise the Carroll County School District's basic financial statements and have issued our report thereon dated February 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

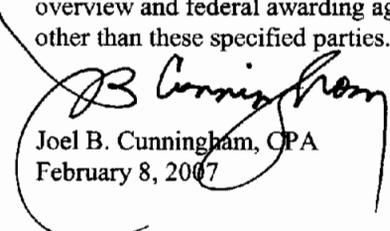
In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as item 06-01.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated February 8, 2007, which is included in this report.

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 should not be limited.

  
Joel B. Cunningham, CPA  
February 8, 2007

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  
Carroll County School District

Compliance

We have audited the compliance of the Carroll 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 auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Carroll 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.

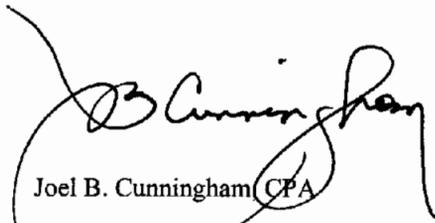
Internal Control Over Compliance

The management of the Carroll 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 our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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



Joel B. Cunningham CPA  
February 8, 2007

CARROLL COUNTY SCHOOL DISTRICT

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

JOEL B. CUNNINGHAM  
CERTIFIED PUBLIC ACCOUNTANT  
202 CHURCH STREET  
BELZONI, MISSISSIPPI 39038

MAIL: P.O. BOX 675  
(662) 247-2416

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

Superintendent and School Board  
Carroll County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Carroll County School District as of and for the year ended June 30, 2006, which collectively comprise Carroll County School District's basic financial statements and have issued our report thereon dated February 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The District reported \$12,379 of classroom supply funds carried over from previous years.

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

Finding

The district failed to comply with Section 71-5-359, Miss. Code Ann. (1972). The unemployment compensation fund was \$6,822 short of being properly funded.

Recommendation

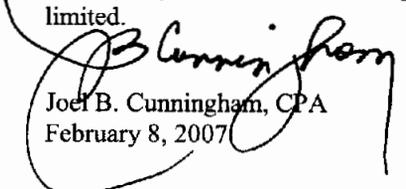
We recommend that the district comply with Section 71-5-359, Miss. Code Ann. (1972), which says the district must maintain 2% of applicable wages in a separate bank account for unemployment compensation.

School District's Response

Greater care will be taken in the future to ensure compliance with this regulation.

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

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.

  
Joel B. Cunningham, CPA  
February 8, 2007

CARROLL COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CARROLL 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:  |             |
| a. | Material weakness(es) identified?   | Yes         |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No          |

Federal Awards:

- |        |  |             |
|--------|--|-------------|
| 4.     | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.     | Internal control over major programs:  |             |
| a.     | Material weakness(es) identified?  | No          |
| b.     | Reportable condition(s) identified that are not considered to be material weaknesses?  | No          |
| 6.     | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.     | Federal programs identified as major programs:   |             |
| a.     | Title I  |             |
| CFDA # |  | 84.010      |
| b.     | Special education cluster:   |             |
| CFDA # |  | 84.173      |
| CFDA # |  | 84.027      |
| c.     | Improving teacher quality state grants   |             |
| CFDA # |  | 84.367      |
| 8.     | The dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000  |
| 9.     | Auditee qualified as a low-risk auditee?   | No          |
| 10.    | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

CARROLL COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Section 2: Financial Statement Findings

Material Weakness:

06-01. Finding

Monthly bank reconciliations are not being performed timely and several accounts were not reconciled at June 30, 2006.

Recommendation

We recommend that bank reconciliations be performed for all bank accounts each month. We further recommend that the preparer sign and date each reconciliation as evidence of being prepared timely.

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.

CARROLL COUNTY SCHOOL DISTRICT

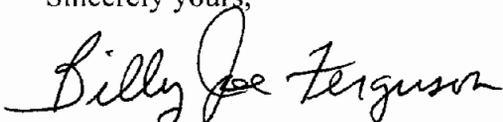
AUDITEE'S CORRECTIVE ACTION PLAN

**CARROLL COUNTY SCHOOL DISTRICT  
OFFICE OF THE SUPERINTENDENT  
P.O. BOX 256  
CARROLLTON, MS 38917  
662-237-9276**

As required by Section \_ .315 of OMB Circular A-133, the Carroll County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
06-01 Contact	a. Billy Joe Ferguson, Superintendent, 662-237-9276
Finding	b. Bank reconciliations were not performed timely and several accounts were not reconciled as of June 30, 2006.
Response	c. We will ensure that bank reconciliations are performed timely and for all bank balances.

Sincerely yours,



Billy Joe Ferguson  
Superintendent of Education  
Carroll County School District