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CHICKASAW COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2006

CHICKASAW COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
JUNE 30, 2006

	<u>Page</u>
Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	4
Management's Discussion and Analysis	6
Financial Statements	14
Statement of Net Assets	15
Statement of Activities	16
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22
Required Supplementary Information	39
Budgetary Comparison Schedule for the General Fund	40
Budgetary Comparison Schedule for the Extended School Year Fund	41
Budgetary Comparison Schedule for the Title I - A Basic Fund	42
Budgetary Comparison Schedule for the Title II - A Improving Teacher Quality	43
Notes to the Required Supplementary Information	44

CHICKASAW COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS (CONTINUED)
JUNE 30, 2006

	<u>Page</u>
Supplemental Information	45
Schedule of Expenditures of Federal Awards	46
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	48
Reports on Internal Control and Compliance	49
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	52
Independent Auditors' Report on Compliance with State Laws and Regulations	54
Schedule of Findings and Questioned Costs	55

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

Superintendent and School Board
Chickasaw 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 Chickasaw County School District as of and for the year ended June 30, 2006, which collectively comprise the Chickasaw County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chickasaw 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw 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 November 27, 2006, on our consideration of the Chickasaw 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 6 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 40 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 inquires 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 Chickasaw 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.

November 27, 2006
Tupelo, Mississippi

J. E. Vance & Company

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Chickasaw 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 for 2006 increased \$41,668, which represents a 2% increase from fiscal year 2005. Total net assets for 2005 increased \$40,109, which represents a 2% increase from fiscal year 2004.
- General revenues account for \$3,236,373 and \$3,141,463 in revenue, or 77% and 78% of all revenues for fiscal years 2006 and 2005 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$970,822 or 23% of total revenues for 2006 and \$899,729 or 22% of total revenues for 2005.
- The District had \$4,152,339 and \$3,986,257 in expenses for fiscal years 2006 and 2005; only \$970,822 for 2006 and \$899,729 for 2005 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,236,373 for 2006 and \$3,141,463 for 2005 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,221,593 in revenues and \$3,120,865 in expenditures for 2006 and \$3,066,554 in revenues and \$3,027,092 in expenditures for 2005. The General Fund's fund balance decreased \$4,616 from 2005 to 2006 and decreased \$29,759 from 2004 to 2005.
- Capital assets, net of accumulated depreciation, decreased by \$11,593 for 2006 and decreased by \$3,022 for 2005.
- Long-term debt decreased by \$78,944 for 2006 and \$66,032 for 2005. This decrease was due primarily to the annual principal payments on the debt and the retirement of a district lease.

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 15 and 16 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 18 and 20, respectively.

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

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

Notes to 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 22 - 37 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 39 - 43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 45 - 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$2,633,089 as of June 30, 2006 and by \$2,591,421 as of June 30, 2005.

By far the largest portion of the District's net assets (60% for 2006 and 58% for 2005) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	Net Assets		Percentage Change
	2006	2005	
Current assets	\$ 1,127,760	\$ 1,189,626	-5.20%
Capital assets, net	2,414,016	2,425,609	-0.48%
Total assets	<u>3,541,776</u>	<u>3,615,235</u>	-2.03%
Current liabilities	53,865	90,048	-40.18%
Long-term debt outstanding	854,822	933,766	-8.45%
Total liabilities	<u>908,687</u>	<u>1,023,814</u>	-11.24%
Net assets:			
Invested in capital assets, net of related debt	1,582,347	1,515,077	4.44%
Restricted	197,253	218,320	-9.65%
Unrestricted	853,489	858,024	-0.53%
Total net assets	<u>\$ 2,633,089</u>	<u>\$ 2,591,421</u>	1.61%

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2006 and June 30, 2005 were \$4,207,195 and \$4,041,192, respectively. The total cost of all programs and services for 2006 was \$4,152,339 and \$3,986,257 for 2005. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2006 and June 30, 2005.

	Change in Net Assets		Percentage Change
	2006	2005	
Revenues:			
Program revenues:			
Charges for services	\$ 148,071	\$ 132,717	11.57%
Operating grants and contributions	806,341	750,602	7.43%
Capital grants and contributions	16,410	16,410	0.00%
General revenues			
Property taxes	543,861	520,459	4.50%
Grants and contributions not restricted	2,622,435	2,545,242	3.03%
Other	70,077	75,762	-7.50%
Total revenues	<u>4,207,195</u>	<u>4,041,192</u>	4.11%
Expenses:			
Instruction	2,406,307	2,235,772	7.63%
Support services	1,363,697	1,373,911	-0.74%
Non-instructional services	339,583	331,283	2.51%
Interest and other charges related to long-term liabilities	<u>42,752</u>	<u>45,291</u>	-5.61%
Total expenses	<u>4,152,339</u>	<u>3,986,257</u>	4.17%
Increase in net assets	<u>\$ 54,856</u>	<u>\$ 54,935</u>	-0.14%

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

	2006		2005	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 2,406,307	\$ (1,960,688)	\$ 2,235,772	\$ (1,808,824)
Support services	1,363,697	(1,155,043)	1,373,911	(1,206,858)
Non-instructional	339,583	(23,034)	331,283	(25,555)
Interest on long-term liabilities	42,752	(42,752)	45,291	(45,291)
Total expenses	<u>\$ 4,152,339</u>	<u>\$ (3,181,517)</u>	<u>\$ 3,986,257</u>	<u>\$ (3,086,528)</u>

- Net cost of governmental activities (\$3,181,517 and \$3,086,528), was financed by general revenue, which is made up of primarily property taxes (\$543,861 for 2006 and \$520,459 for 2005) and state revenue (\$2,544,097 for 2006 and \$2,447,658 for 2005).
- Investment earnings accounted for \$44,219 for 2006 and \$23,451 for 2005 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 \$1,091,662, a decrease of \$27,156. \$915,841 or 84% 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 \$175,821 or 16% is reserved or designated to indicate that it is not available for spending because it has already been committed. The areas of commitment are as follows:

	<u>2006</u>	<u>2005</u>
Unemployment Benefits	\$ 11,182	\$ 11,616
Inventory	5,478	3,912
Debt Service	<u>159,161</u>	<u>147,998</u>
Total assets	<u>\$ 175,821</u>	<u>\$ 163,526</u>

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 \$4,616. The fund balance of Other Governmental Funds showed a decrease of \$31,137. The increases (decreases) in the fund balances for the other major funds were as follows: Extended School Year - (765); Title I - A Basic - 8,414; Title II - A Improving Teacher Quality - 948.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources were increased to full funding for Mississippi Adequate education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for facilities acquisition and construction expenditures were decreased due primarily to school construction being delayed until the next fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District’s total capital assets were \$3,324,141, including school buildings, busses, other school vehicles and furniture and equipment. This

amount represents an increase of \$101,200 from 2005 to 2006 and an increase of \$31,822 from 2004 to 2005. Total accumulated depreciation was \$910,125 for 2006 and \$797,332 for 2005. Total depreciation expense was \$109,562 for 2006 and \$75,879 for 2005, resulting in total net assets of \$2,414,016 for 2006 and \$2,425,609 for 2005.

Additional information of the District's capital assets can be found in Note 5 on page 31 of this report.

Debt Administration. At June 30, 2006, the District had \$854,822 in long-term debt outstanding, of which \$64,015 is due within one year.

The District does not have an underlying bond rating.

Additional information of the District's long-term debt can be found in Note 6 on pages 32 - 35 of this report.

CURRENT ISSUES

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

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

The District actively pursues grant funding to supplant the local, state and federal revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Chickasaw County School District, P. O. Box 480 or 501 Griffin Avenue, Houlka, MS 38850.

FINANCIAL STATEMENTS

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

		<u>Primary Government</u> Governmental Activities
Assets		
Cash and cash equivalents (Note 3)	\$	1,060,411
Due from other governments		61,871
Inventories and prepaid items		5,478
Capital assets, not being depreciated:		
Land		50,576
Capital assets, net of accumulated depreciation:		
Buildings		1,258,249
Building improvements		945,612
Mobile equipment		88,178
Furniture and equipment		35,266
Leased property under capital leases		<u>36,135</u>
Total Assets	\$	<u><u>3,541,776</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	36,098
Interest payable on long-term liabilities		17,767
Long-term liabilities, due within one year (Note 6)		
Capital related liabilities		64,015
Long-term liabilities, due beyond one year (Note 6)		
Capital related liabilities		767,654
Non-capital related liabilities		<u>23,153</u>
Total Liabilities	\$	<u><u>908,687</u></u>
Net Assets		
Investment in capital assets, net of related debt	\$	1,582,347
Restricted net assets:		
Expendable:		
School-based activities		44,618
Debt service		141,394
Capital improvements		59
Unemployment benefits		11,182
Unrestricted		<u>853,489</u>
Total Net Assets	\$	<u><u>2,633,089</u></u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,406,307	74,603	371,016		(1,960,688)
Support services	1,363,697		192,244	16,410	(1,155,043)
Non-instructional	339,583	73,468	243,081		(23,034)
Interest on long-term liabilities	42,752				(42,752)
Total governmental activities	\$ 4,152,339	148,071	806,341	16,410	(3,181,517)
General Revenues:					
Taxes:					
					518,870
					24,991
Unrestricted grants and contributions:					
					2,544,097
					78,338
					44,219
					25,858
					3,236,373
					54,856
					2,591,421
					(13,188)
					2,578,233
					\$ 2,633,089

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

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

	Major Funds						Total Governmental Funds
	General Fund	Extended School Year	Title I - A Basic	Title II - A Improv Teacher Quality	Other Governmental Funds		
ASSETS							
Cash and cash equivalents (Note 3)	\$ 845,612		13	14,968	199,818		1,060,411
Due from other governments	35,931	6,915	710	2,059	16,256		61,871
Due from other funds (Note 4)	12,933		15,410				28,343
Inventories and prepaid items					5,478		5,478
Total Assets	\$ 894,476	6,915	16,133	17,027	221,552		1,156,103
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 17,834	2,340	108	1,617	2,383		24,282
Due to other funds (Note 4)		4,575	16,025	15,410	4,149		40,159
Total Liabilities	17,834	6,915	16,133	17,027	6,532		64,441
Fund Balances:							
Reserved for:							
Unemployment benefits					11,182		11,182
Inventory					5,478		5,478
Debt service					159,161		159,161
Unreserved:							
Undesignated, reported in:							
General fund	876,642						876,642
Special Revenue funds					39,140		39,140
Capital Projects funds					59		59
Total Fund Balances	876,642	-0-	-0-	-0-	215,020		1,091,662
Total Liabilities and Fund Balances	\$ 894,476	6,915	16,133	17,027	221,552		1,156,103

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Amount
Total Fund Balance - Governmental Funds	\$ 1,091,662
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets which are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$910,125. (Note 5)	2,414,016
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(854,822)
3. Interest payable on long-term liabilities	(17,767)

Total Net Assets - Governmental Activities	\$ 2,633,089

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

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

	Major Funds					Total Governmental Funds
	General Fund	Extended School Year	Title I - A Basic	Title II - A Improving Teacher Quality	Other Governmental Funds	
Revenues:						
Local sources	S 651,845				100,161	752,006
State sources	2,494,553	6,915			130,039	2,631,507
Federal sources	75,195		147,506	41,684	549,293	813,678
Total Revenues	3,221,593	6,915	147,506	41,684	779,493	4,197,191
Expenditures:						
Instruction	1,935,252	3,055	165,659		268,369	2,372,335
Support services	1,131,146	4,378	1,106	12,085	140,987	1,289,702
Noninstructional services	35,979		978		300,670	337,627
Facilities acquisition and construction	17,833				85,374	103,207
Debt service:						
Principal					78,573	78,573
Interest	655				43,570	44,225
Total Expenditures	3,120,865	7,433	167,743	12,085	917,543	4,225,669
Excess (Deficiency) of Revenues Over Expenditures	100,728	(518)	(20,237)	29,599	(138,050)	(28,478)
Other Financing Sources (Uses):						
Insurance loss recoveries	10,003					10,003
Operating transfers in			28,651		129,642	158,293
Operating transfers out	(105,347)			(28,651)	(24,295)	(158,293)
Total Other Financing Sources (Uses)	(95,344)	-0-	28,651	(28,651)	105,347	10,003
Net Change in Fund Balances	5,384	(518)	8,414	948	(32,703)	(18,475)
Fund Balances:						
July 1, 2005	881,258	765	(8,414)	(948)	246,157	1,118,818
Prior period adjustment (Note 8)	(10,000)	(247)				(10,247)
July 1, 2005, as restated	871,258	518	(8,414)	(948)	246,157	1,108,571
Inc. (Dec.) in reserve for inventory					1,566	1,566
June 30, 2006	876,642	-0-	-0-	-0-	215,020	1,091,662

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (18,475)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$101,200 and the depreciation expense amounted to \$109,562. (Note 5)	(8,362)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. (Note 6)	78,573
3. Governmental funds report interest on long-term debt when due, whereas the statement of activities recognizes it as it accrues, regardless of when the financial resources are available. Accrued interest at year end was \$17,767 which is a decrease from last year.	1,473
4. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences increased to \$23,153.	81
5. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	1,566
Change in Net Assets of Governmental Activities	\$ 54,856

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

CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 231,720
Due from other funds (Note 4)	<u>11,907</u>
Total Assets	<u>\$ 243,627</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 220,020
Due to other funds (Note 4)	91
Due to student clubs	<u>23,516</u>
Total Liabilities	<u>\$ 243,627</u>

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

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

Note 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

B. Basis of Presentation

The school district's basic financial 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 nonexchange revenues.

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

C. Measurement Focus and Basis of Accounting

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

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Extended School Year Fund - This is the school district's fund for accounting for the federal funding of the Extended School Year program.

Title I - A Basic Fund - This is the school district's fund for accounting for the federal funding of the Title I program.

Title II - A Improving Teacher Quality Fund - This is the school district's fund for accounting for the federal funding of the Title II - Improving Teacher Quality program.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

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 maintained to account for commitments resulting from approved purchase orders, work orders and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

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

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

G. 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).

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

H. 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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

I. Long-term Liabilities

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

J. Interfund Transactions and Balances

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

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

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

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

K. 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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

L. Property Taxes

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 1: Summary of Significant Accounting Policies (Continued)

M. 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.

N. 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.

Note 2: Changes in Accounting Standards

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 3: Cash and Cash Equivalents

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,060,411 and \$231,720, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and Cash Equivalents \$1,060,411. The bank balance was \$1,491,432.

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 \$1,491,432 was exposed to custodial credit risk.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 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	\$ 12,933	
Extended School Year		4,575
Title I - A Basic	15,410	16,025
Title II - A Imp Tch Qual		15,410
Other Governmental Funds		4,149
Fiduciary Funds	<u>11,907</u>	<u>91</u>
Total	<u>\$ 40,250</u>	<u>40,250</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$	105,347
Title I - A Basic	28,651	
Title II - A Imp Tch Qual		28,651
Other Governmental Funds	<u>129,642</u>	<u>24,295</u>
Total	<u>\$ 158,293</u>	<u>158,293</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 5: Capital Assets

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

	Balance 7/1/2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2006
<u>Non-depreciable capital assets:</u>						
Land	\$ 50,576					50,576
Construction in progress	781,332	77,895		(859,227)		-0-
Total non-depreciable capital assets	<u>831,908</u>	<u>77,895</u>	<u>-0-</u>	<u>(859,227)</u>	<u>-0-</u>	<u>50,576</u>
<u>Depreciable capital assets:</u>						
Buildings	1,565,926				161,000	1,726,926
Building improvements	134,171			859,227		993,398
Mobile equipment	341,356					341,356
Furniture and equipment	139,080	23,305				162,385
Leased property under capital leases	210,500				(161,000)	49,500
Total depreciable capital assets	<u>2,391,033</u>	<u>23,305</u>	<u>-0-</u>	<u>859,227</u>	<u>-0-</u>	<u>3,273,565</u>
<u>Less accumulated depreciation for:</u>						
Buildings	404,812	31,665			32,200	468,677
Building improvements	8,050	39,736				47,786
Mobile equipment	233,108	19,324			746	253,178
Furniture and equipment	110,252	14,382			2,485	127,119
Leased property under capital leases	41,110	4,455			(32,200)	13,365
Total accumulated depreciation	<u>797,332</u>	<u>109,562</u>	<u>-0-</u>	<u>-0-</u>	<u>3,231</u>	<u>910,125</u>
Total depreciable capital assets, net	<u>1,593,701</u>	<u>(86,257)</u>	<u>-0-</u>	<u>859,227</u>	<u>(3,231)</u>	<u>2,363,440</u>
Governmental activities capital assets, net	<u>\$ 2,425,609</u>	<u>(8,362)</u>	<u>-0-</u>	<u>-0-</u>	<u>(3,231)</u>	<u>2,414,016</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 34,602
Support services	71,762
Non-instructional	3,198
	<u>\$ 109,562</u>

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 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	Adjustments	Balance 6/30/2006	Amounts due within one year
A. Limited obligation bonds payable	\$ 775,000		40,000		735,000	40,000
B. Three mill note payable	83,000		16,000		67,000	17,000
C. Obligations under capital leases	52,532		22,573	(290)	29,669	7,015
D. Compensated absences payable	23,234		81		23,153	
Total	\$ 933,766	-0-	78,654	(290)	854,822	64,015

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	5.00%	3/1/98	2/1/18	\$ 915,000	\$ 735,000
Total				\$ 915,000	\$ 735,000

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6: Long-term Liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2007	40,000	35,750	75,750
2008	45,000	33,625	78,625
2009	45,000	31,375	76,375
2010	50,000	29,000	79,000
2011	50,000	26,500	76,500
2012-2016	295,000	90,625	385,625
2017-2021	210,000	14,000	224,000
Total	<u>\$ 735,000</u>	<u>260,875</u>	<u>995,875</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 Bond Issue Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year notes 1998	4.74%	4/1/99	4/1/09	\$ 40,000	\$ 23,500
Three mill ten year notes 1999	4.74%	9/1/98	9/1/08	<u>130,000</u>	<u>43,500</u>
Total				<u>\$ 170,000</u>	<u>\$ 67,000</u>

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6: Long-term Liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2007	17,000	3,176	20,176
2008	17,500	2,370	19,870
2009	32,500	1,540	34,040
Total \$	<u>67,000</u>	<u>7,086</u>	<u>74,086</u>

This debt will be retired from the 3 Mill Note Levy 1999 fund.

C. Obligations under capital leases

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

The option available to the lessee for this lease is that the district can purchase the lessor's interest by paying an option price equal to the remaining principal balance owed plus accrued interest to the date of such payment.

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

Year Ending June 30,	Principal	Interest	Total
2007	7,015	1,033	8,048
2008	7,276	772	8,048
2009	7,548	500	8,048
2010	7,830	218	8,048
Total \$	<u>29,669</u>	<u>2,523</u>	<u>32,192</u>

This debt will be retired from the District Maintenance and the EEF Buildings and Buses funds.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 6: Long-term Liabilities (Continued)

D. Compensated absences payable

As more fully explained in Note 1(N), 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.

Note 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 \$247,935, \$216,937, and \$190,461, respectively, which equaled the required contributions for each year.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 8: Prior Period Adjustments/Exhibits

A summary of significant fund equity adjustments is as follows:

<u>Exhibit B - Statement of Activities</u>	<u>Amount</u>
<u>Explanation(s)</u>	
1. To record prior year expense	\$ (10,000)
2. To correct prior year revenue	(247)
3. To correct beginning accumulated depreciation	(3,231)
4. To correct beginning long-term debt	290
Total	<u>\$ (13,188)</u>

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

<u>Major fund</u>	<u>Explanation(s)</u>	
General Fund	To record prior year expense	\$ (10,000)
Extended School Year Fund	To correct prior year revenue	(247)
	Total	<u>\$ (10,247)</u>

Note 9: Subsequent Events

On September 1, 2006, the Chickasaw County School District issued a three mill note of the District in the principal amount of \$36,000 to pay for the costs of acquiring improving, constructing, renovating, repairing, heating, cooling and equipping school buildings and related facilities, purchasing land therefore, performing site work, purchasing school buses and transportation equipment and to pay the costs of such borrowing. This note will be paid to Hancock Bank with an interest rate of 4.025%. This debt will be retired with funds from a tax levy.

Note 10: Risk Management

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Note 10: Risk Management (Continued)

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance that will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for the excess losses incurred by the pool.

Note 11: Vocational School Consortium

The school district entered into a Vocational Educational Agreement date May 6, 1985, creating the Houston Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Houston School District and the Chickasaw County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Houston School District has been designated as the fiscal agent for the Houston Vocational Center, and the operations of the center are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 583,431	651,845	651,845	68,414	-0-
State sources	2,517,983	2,494,553	2,494,553	(23,430)	-0-
Federal sources	117,385	75,195	75,195	(42,190)	-0-
Total Revenues	<u>3,218,799</u>	<u>3,221,593</u>	<u>3,221,593</u>	<u>2,794</u>	<u>-0-</u>
Expenditures:					
Instruction	1,923,729	1,935,252	1,935,252	(11,523)	-0-
Support services	1,160,198	1,132,025	1,131,146	28,173	879
Noninstructional services	35,886	35,979	35,979	(93)	-0-
Facilities acquisition and construction	25,000	17,833	17,833	7,167	-0-
Debt service:					
Interest	872	655	655	217	-0-
Total Expenditures	<u>3,145,685</u>	<u>3,121,744</u>	<u>3,120,865</u>	<u>23,941</u>	<u>879</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>73,114</u>	<u>99,849</u>	<u>100,728</u>	<u>26,735</u>	<u>879</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		10,003	10,003	10,003	-0-
Operating transfers in	314,740	297,972	297,972	(16,768)	-0-
Operating transfers out	(428,854)	(403,319)	(403,319)	25,535	-0-
Total Other Financing Sources (Uses)	<u>(114,114)</u>	<u>(95,344)</u>	<u>(95,344)</u>	<u>18,770</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(41,000)</u>	<u>4,505</u>	<u>5,384</u>	<u>45,505</u>	<u>879</u>
Fund Balances:					
July 1, 2005	881,231	881,231	881,258	-0-	27
Prior period adjustments (Note 8)	(10,000)	(10,000)	(10,000)	-0-	-0-
July 1, 2005, as restated	<u>871,231</u>	<u>871,231</u>	<u>871,258</u>	<u>-0-</u>	<u>27</u>
June 30, 2006	<u>\$ 830,231</u>	<u>875,736</u>	<u>876,642</u>	<u>45,505</u>	<u>906</u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE EXTENDED SCHOOL YEAR FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final		Positive (Negative)	
Revenues:					
State sources	\$ 8,730	16,810	6,915	8,080	(9,895)
Total Revenues	<u>8,730</u>	<u>16,810</u>	<u>6,915</u>	<u>8,080</u>	<u>(9,895)</u>
Expenditures:					
Instruction	4,673	4,773	3,055	(100)	1,718
Support services	11,734	12,037	4,378	(303)	7,659
Total Expenditures	<u>16,407</u>	<u>16,810</u>	<u>7,433</u>	<u>(403)</u>	<u>9,377</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,677)</u>	<u>-0-</u>	<u>(518)</u>	<u>7,677</u>	<u>(518)</u>
Net Change in Fund Balances	<u>(7,677)</u>	<u>-0-</u>	<u>(518)</u>	<u>7,677</u>	<u>(518)</u>
Fund Balances:					
July 1, 2005	765	765	765	-0-	-0-
Prior period adjustments (Note 8)		(247)	(247)	(247)	-0-
July 1, 2005, as restated	<u>765</u>	<u>518</u>	<u>518</u>	<u>(247)</u>	<u>-0-</u>
June 30, 2006	<u><u>\$ (6,912)</u></u>	<u><u>518</u></u>	<u><u>-0-</u></u>	<u><u>7,430</u></u>	<u><u>(518)</u></u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I - A BASIC FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 160,715	160,715	147,506	-0-	(13,209)
Total Revenues	<u>160,715</u>	<u>160,715</u>	<u>147,506</u>	<u>-0-</u>	<u>(13,209)</u>
Expenditures:					
Instruction	180,088	179,932	165,659	156	14,273
Support services	8,973	9,129	1,106	(156)	8,023
Noninstructional services	3,000	3,000	978	-0-	2,022
Total Expenditures	<u>192,061</u>	<u>192,061</u>	<u>167,743</u>	<u>-0-</u>	<u>24,318</u>
Deficiency of Revenues Over Expenditures	<u>(31,346)</u>	<u>(31,346)</u>	<u>(20,237)</u>	<u>-0-</u>	<u>11,109</u>
Other Financing Sources:					
Operating transfers in	31,346	31,346	28,651	-0-	(2,695)
Total Other Financing Sources	<u>31,346</u>	<u>31,346</u>	<u>28,651</u>	<u>-0-</u>	<u>(2,695)</u>
Net Change in Fund Balances	<u>-0-</u>	<u>-0-</u>	<u>8,414</u>	<u>-0-</u>	<u>8,414</u>
Fund Balances:					
July 1, 2005	<u>-0-</u>	<u>-0-</u>	<u>(8,414)</u>	<u>-0-</u>	<u>(8,414)</u>
June 30, 2006	<u>\$ -0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE II – A
IMPROVING TEACHER QUALITY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 47,587	45,759	41,684	(1,828)	(4,075)
Total Revenues	<u>47,587</u>	<u>45,759</u>	<u>41,684</u>	<u>(1,828)</u>	<u>(4,075)</u>
Expenditures:					
Support services	16,241	14,413	12,085	1,828	2,328
Total Expenditures	<u>16,241</u>	<u>14,413</u>	<u>12,085</u>	<u>1,828</u>	<u>2,328</u>
Excess of Revenues Over Expenditures	<u>31,346</u>	<u>31,346</u>	<u>29,599</u>	<u>-0-</u>	<u>(1,747)</u>
Other Financing Uses:					
Operating transfers out	(31,346)	(31,346)	(28,651)	-0-	2,695
Total Other Financing Uses	<u>(31,346)</u>	<u>(31,346)</u>	<u>(28,651)</u>	<u>-0-</u>	<u>2,695</u>
Net Change in Fund Balances	<u>-0-</u>	<u>-0-</u>	<u>948</u>	<u>-0-</u>	<u>948</u>
Fund Balances:					
July 1, 2005	<u>1,373</u>	<u>1,373</u>	<u>(948)</u>	<u>-0-</u>	<u>(2,321)</u>
June 30, 2006	<u>\$ 1,373</u>	<u>1,373</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,373)</u>

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

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

Budgetary Comparison Schedule

Note 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.

Note 2: Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**CHICKASAW 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.S. Department of Agriculture		
Direct program		
Rural business enterprise grants	10.769	\$ 1,860
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	14,491
Child nutrition cluster:		
School breakfast program	10.553	76,681
National school lunch program	10.555	120,401
Summer food service program for children	10.559	5,203
Total		202,285
Total passed-through Mississippi Department of Education		216,776
Total U.S. Department of Agriculture		218,636
Appalachian Regional Commission		
Passed-through U.S. Treasury		
Appalachian area development	23.002	25,095
Total passed-through U.S. Treasury		25,095
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	22,507
Total Federal Communications Commission		22,507
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	167,743
Safe and drug free schools and communities - state grants	84.186	3,729
Eisenhower professional development state grants	84.281	7,033
Twenty-first century community learning centers	84.287	109,821
State grants for innovative programs	84.298	3,824
Education technology state grants	84.318	4,595
Teacher quality enhancement grants	84.336	500
Rural education	84.358	22,656
Improving teacher quality - state grants	84.367	5,052
Grants for state assessments and related activities	84.369	3,210
Total		328,163

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Special education cluster:		
Special education - grants to states	84.027	115,867
Special education - preschool grants	84.173	20,942
Total special education cluster		<u>136,809</u>
Total passed-through Mississippi Department of Education		<u>464,972</u>
Total U.S. Department of Education		<u>464,972</u>
U.S. Department of Health and Human Services		
Passed-through the Mississippi Division of Medicaid		
Medical assistance program	93.778	2,024
Total U.S. Department of Health and Human Services		<u>2,024</u>
Corporation for National and Community Service		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	8,994
Total Corporation for National and Community Service		<u>8,994</u>
U.S. Department of Homeland Security		
Passed through the Mississippi Emergency Management Agency		
Disaster grants - public assistance (Presidentially declared disasters)	97.036	3,643
Total U.S. Department of Homeland Security		<u>3,643</u>
Total for All Federal Awards		<u>\$ 745,871</u>

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

Note 3: The pass-through entities did not assign identifying numbers to the school district.

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 3,184,230	2,470,081	211,977	178,129	324,043
Other	1,041,439	253,373	55,268	5,149	727,649
Total	\$ 4,225,669	2,723,454	267,245	183,278	1,051,692
Total number of students	506				
Cost per student	\$ 8,351	5,382	528	362	2,078

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

Instructional 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

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2006, which collectively comprise the Chickasaw County School District's basic financial statements and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 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. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

November 27, 2006
Tupelo, Mississippi

J. E. Vance & Company

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

Superintendent and School Board
Chickasaw County School District

Compliance

We have audited the compliance of the Chickasaw 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, Chickasaw 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 Chickasaw 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 the 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.

November 27, 2006
Tupelo, Mississippi

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2006, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated November 27, 2006. 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 *Governmental 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 \$8,467 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

November 27, 2006
Tupelo, Mississippi



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CHICKASAW 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 auditors' report issued on the financial statements: | Unqualified |
| 2. Material noncompliance relating to the financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable 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 OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Cluster: Child Nutrition | |
| CFDA #10.553 | |
| CFDA #10.555 | |
| CFDA #10.559 | |

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section 1: Summary of Auditor's Results (Continued)

- | | |
|---|------------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit 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 |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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