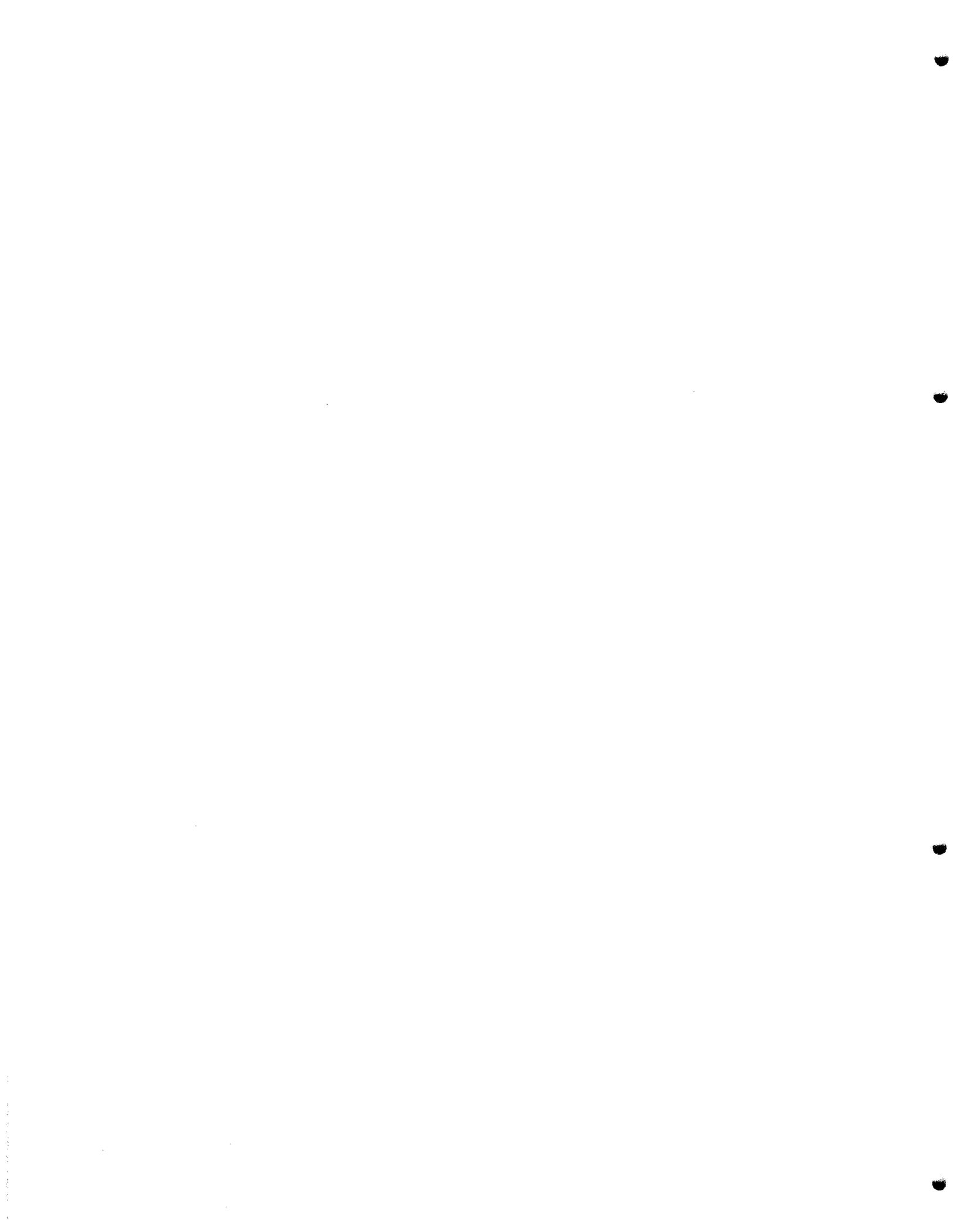




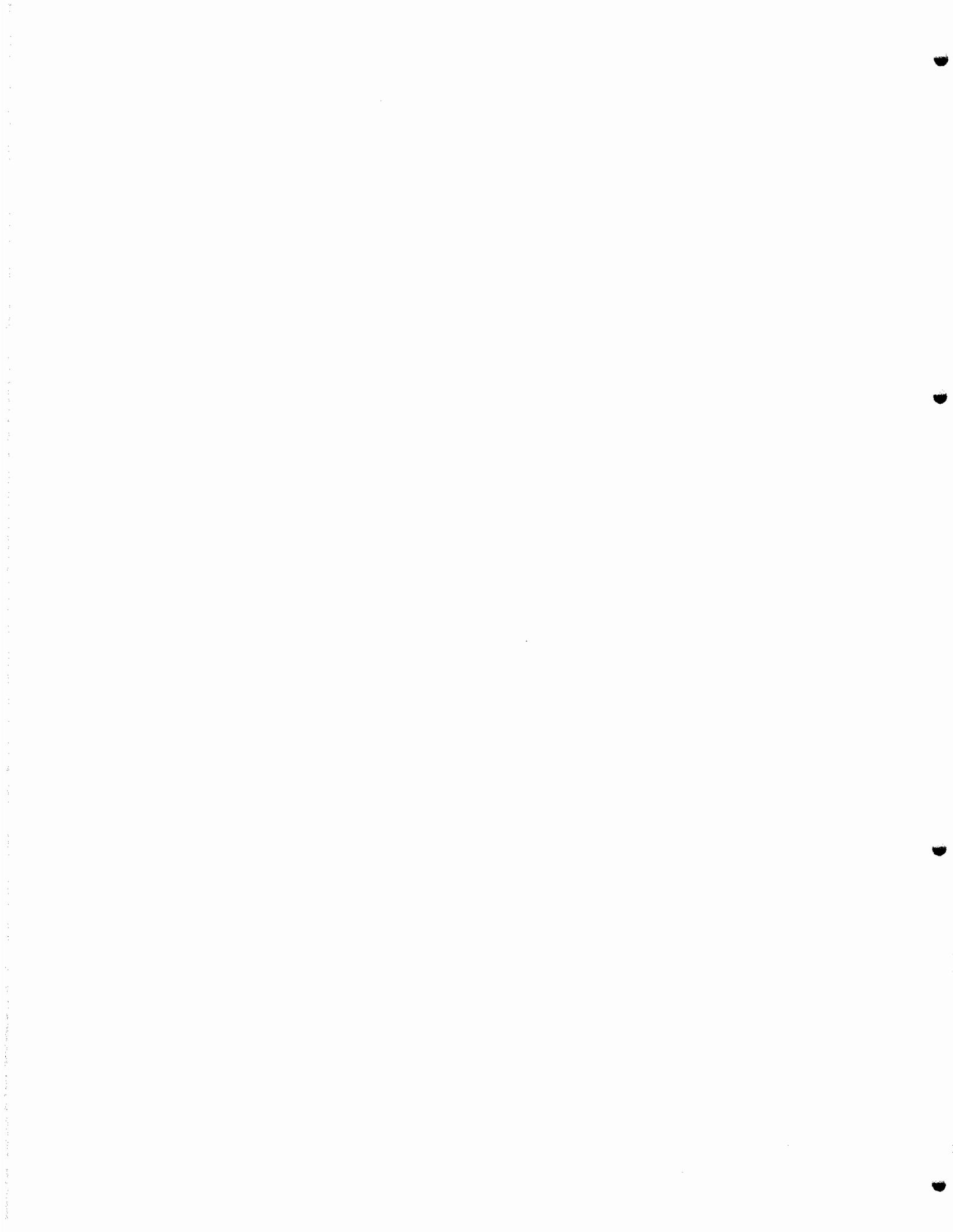
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CORINTH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006



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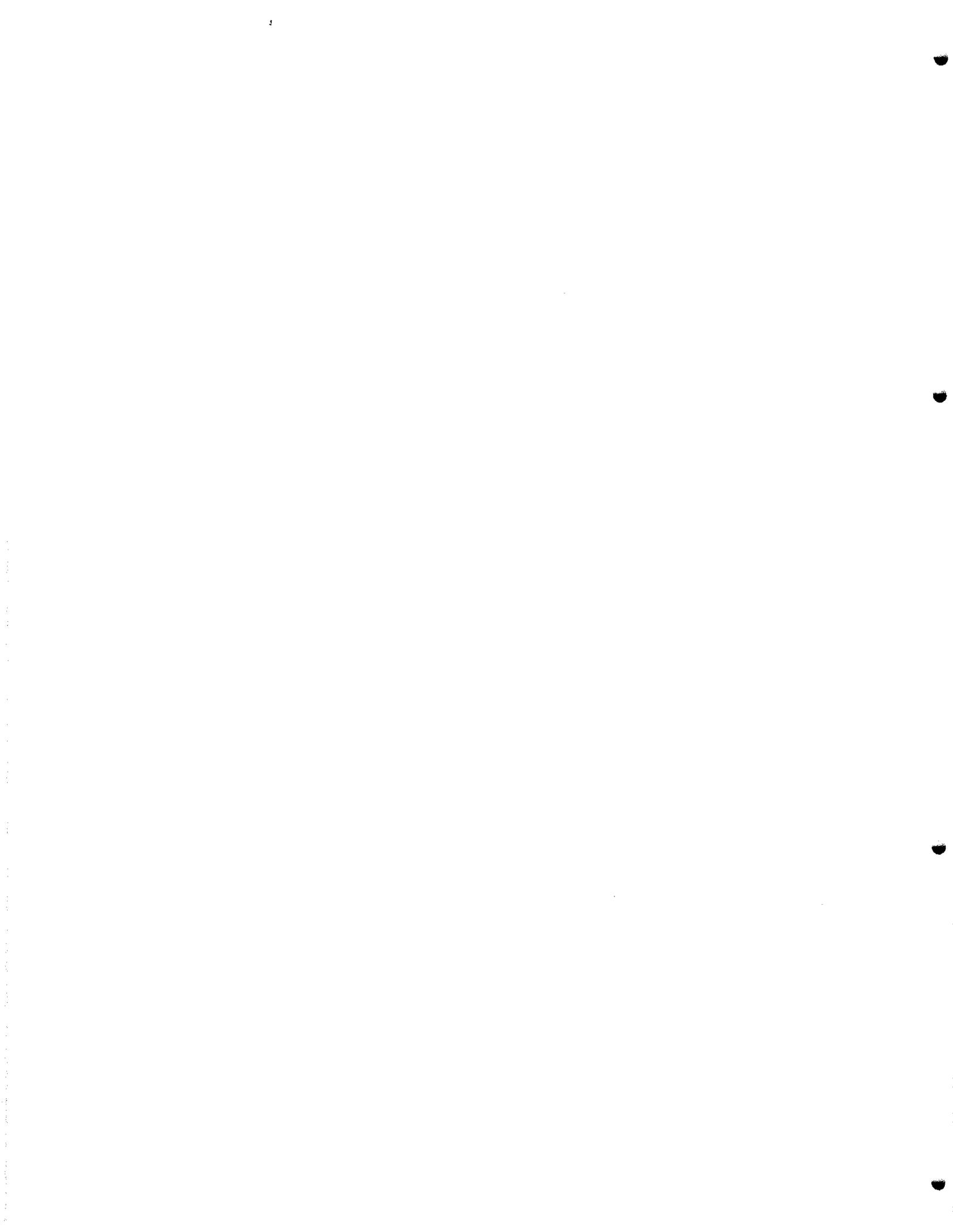


CORINTH SCHOOL DISTRICT

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Certified Public Accountants

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

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

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

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

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

Superintendent and School Board
Corinth School District

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Corinth School District as of and for the year ended June 30, 2006, which collectively comprise the Corinth School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corinth School District's management. Our responsibility is to express an opinion 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 Corinth School District at June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 2007, on our consideration of the Corinth School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 3 through 8 and the Budgetary Comparison Schedules and corresponding notes on pages 29 through 31 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 Corinth 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 financial statements taken as a whole.

Brauner, VanStey + Co. P.A.

May 7, 2007

Booneville, Mississippi

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

The discussion and analysis of Corinth 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

Net Assets increased \$1,525,834 which is an increase of 10% from fiscal year 2005. This increase was due mainly to the decrease in long-term debt.

<u>Revenue</u>	<u>Revenues</u>	<u>%</u>
General	\$ 13,596,609	85%
Program	2,456,368	15%
Total	<u>\$ 16,052,977</u>	<u>100%</u>

Program revenues are those, which are received in the form of charges for services, grants and contributions and are applied to specific programs. The District had \$14,527,138 in expenses with \$2,456,368 being offset by program revenues. General revenues of \$13,596,609 were sufficient to provide for expenses not covered by program revenue.

<u>General Funds</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Fund Balance</u>
2005	\$ 11,178,951	10,398,803	5,360,419
2006	12,330,684	11,107,087	6,407,478
Net Change	<u>\$ 1,151,733</u>	<u>708,284</u>	<u>1,047,059</u>

The fund increase from the prior year was a result of increases in local and state revenues.

	<u>2005</u>	<u>2006</u>	<u>Net Change</u>
Capital Assets, net of accumulated depreciation	<u>\$ 9,516,823</u>	<u>9,412,524</u>	<u>104,299</u>

The decrease in net value of capital assets resulted from depreciation.

	<u>2005</u>	<u>2006</u>	<u>Net Change</u>
Long-term Debt	<u>\$ 2,896,728</u>	<u>2,227,816</u>	<u>668,912</u>

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.

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

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 9 and 10 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 12 and 14, 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 11 and 13 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

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

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 and Changes in Fiduciary Assets, pages 15 and 16.

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 beginning on page 17 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 29-31 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 32 in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$16,530,105 as of June 30, 2006.

By far, the largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, 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. Capital assets percentage of net assets is 48%.

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 compared to 2005.

	2006	2005	% Change
Current Assets	\$ 10,141,564	9,282,951	9.25%
Capital Assets, net	9,412,524	9,516,823	-1.10%
Total Assets	19,554,088	18,799,774	4.01%
Current Liabilities	1,421,847	1,551,932	-8.38%
Long-term debt	1,602,131	2,243,571	-28.59%
Total Liabilities	3,023,978	3,795,503	-20.33%
Net Assets:			
Capital Assets, net	7,339,672	6,822,074	7.59%
Restricted	4,225,245	3,098,975	36.34%
Unrestricted	4,965,193	5,083,222	-2.32%
Total Net Assets	\$ 16,530,110	15,004,271	10.17%

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

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

The principal retirement of long term debt:	\$ 653,158
Capital asset additions	\$ 177,902
Current year depreciation	\$ 416,722

Changes in net assets. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 compared to 2005.

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 323,186	474,255	-31.85%
Operating grants and contributions	2,133,182	2,556,879	-16.57%
General revenues:			
Property taxes	4,417,087	4,110,373	7.46%
Grants and contributions not restricted	8,667,390	7,382,274	17.41%
Other	512,132	286,031	79.04%
Total revenues	<u>16,052,977</u>	<u>14,809,812</u>	<u>8.12%</u>
Expenses:			
Instruction	9,050,841	8,646,328	4.68%
Support services	4,246,285	4,198,133	1.15%
Non-instructional	1,139,944	689,178	65.41%
Interest on long-term liabilities	90,068	111,716	-19.38%
Total expenses	<u>14,527,138</u>	<u>13,645,355</u>	<u>6.46%</u>
Change in Net Assets:	<u>\$ 1,525,839</u>	<u>1,164,457</u>	<u>31.03%</u>

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

Net (Expense) Revenue

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Instruction	\$ (6,778,708)	(6,485,209)	4.53%
Support services	(4,246,285)	(4,119,001)	3.09%
Non-instructional	(955,709)	101,705	-1039.69%
Interest on long-term liabilities	(90,068)	(111,716)	-19.38%
Net Cost of Activities	<u>\$ (12,070,770)</u>	<u>(10,614,221)</u>	<u>13.72%</u>

General Revenues

Property taxes	\$ 4,417,087	4,110,373	7.46%
State revenue	8,585,310	7,302,744	17.56%
Federal revenue	82,080	79,530	3.21%
Investment earnings	298,362	204,077	46.20%
Other	213,770	81,954	160.84%
Total General Revenue	<u>\$ 13,596,609</u>	<u>11,778,678</u>	<u>15.43%</u>

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

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. The following table reflects fund balances for the fiscal year ending June 30, 2006 compared to fiscal year 2005.

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Unreserved/undesignated	\$ 4,967,391	5,468,342	-9.16%
Reserved or designated	4,405,420	2,949,931	49.34%
Total fund balance	<u>9,372,811</u>	<u>8,418,273</u>	<u>11.34%</u>
General fund	6,407,478	5,360,419	19.53%
Bond retirement fund	2,129,492	2,278,699	-6.55%
Other governmental funds	835,841	779,155	7.28%
Total fund balance	<u>\$ 9,372,811</u>	<u>8,418,273</u>	<u>11.34%</u>

Unreserved and undesignated funds are funds which are available for spending at the District's discretion. Reserved or designated funds are those which are committed for debt service and capital improvements. The General Fund is the principal operating fund of the District.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compare to the District's actual revenue and expenditure amounts for the General Fund and other major funds is provided in this report as required supplementary information. These budgets were reduced to reflect expenditures were less than expected on all major funds and local revenue was greater than expected on the General Fund. This report is located on pages 29-31.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The table below summarized and compares capital assets and accumulated depreciation for the fiscal year June 30, 2006 and compares it to the corresponding values for 2005.

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Total Capital Assets	\$ 16,249,255	15,962,335	1.80%
Accumulated Depreciation	(6,836,731)	(6,445,512)	6.07%
Total net assets	<u>\$ 9,412,524</u>	<u>9,516,823</u>	<u>-1.10%</u>

Additional information of the District's capital assets can be found in Note 4 on page 24 of this report.

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

Debt Administration. The table below summarizes and compares general obligation bonds and other long-term debt for the fiscal year June 30, 2006 and compares it to those corresponding values for 2005.

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
General obligation bonds	\$ 1,715,000	2,170,000	-20.97%
Other	512,816	726,728	-29.43%
Total long-term debt	\$ 2,227,816	2,896,728	-23.09%

Additional information of the District's long-term debt can be found in the Note 5 on pages 25-26 of this report.

CURRENT ISSUES

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

The District is now committed to financial excellence. The millage has not increased over the past two years despite funding cuts and additional mandated expenditures by the State of Mississippi. In addition, 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.

Latest enrollment figures indicate that student enrollment in the District will increase slightly. The budget for the next fiscal year has taken into account a reduction in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, you may contact:

Office of the Superintendent
Corinth School District
1204 North Harper Road
Corinth, MS 38834

**CORINTH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006**

Exhibit A

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 3)	\$ 9,497,396
Due from other governments	480,992
Other Receivables	76,215
Inventories and prepaid items	17,991
Restricted assets	68,970
Capital assets, note being depreciated (Note5)	
Land	1,066,556
Capital assets, net of accumulated depreciation	
Buildings	5,919,396
Building improvements	902,735
Improvements other than buildings	850,210
Mobile equipment	625,349
Furniture and equipment	48,278
Total Assets	<u><u>19,554,088</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	768,753
Interest payable on long term liabilities	27,409
Long term liabilities (due within one year) (Note 6)	
Capital related liabilities	619,787
Non-capital related liabilities	5,898
Long term liabilities (due beyond one year) (Note 6)	
Capital related liabilities	1,453,065
Non-capital liabilities	149,066
Total Liabilities	<u>3,023,978</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,339,672
Restricted net assets:	
Expendable:	
School based activities	20,195
Unemployment	228,709
Debt service	2,229,045
Permanent fund	68,970
Ad valorem	89,306
Capital improvements	1,589,020
Unrestricted	4,965,193
Total Net Assets	<u>16,530,110</u>
Total Liabilities and Net Assets	<u><u>\$ 19,554,088</u></u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				Primary Governmental Activities
Instruction	\$ 9,050,841	138,951	2,133,182	(6,778,708)
Support services	4,246,285	-	-	(4,246,285)
Noninstructional	1,139,944	184,235	-	(955,709)
Interest on long-term liabilities	90,068	-	-	(90,068)
Total Governmental Activities	14,527,138	323,186	2,133,182	(12,070,770)

General Revenues:

Taxes:

General purpose levies	3,780,014
Debt service levies	637,073

Unrestricted grants and contributions

State	8,585,310
Federal	82,080
Unrestricted investment earnings	298,362
Other	213,770

Total General Revenues

13,596,609

Change in Net Assets

1,525,839

Net Assets-Beginning

15,004,271

Net Assets-Ending

\$ 16,530,110

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

CORINTH SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2006

	Major Funds				Total Governmental Funds
	General Funds	Title I A Fund	Bond Retirement Fund	Other Governmental	
ASSETS					
Cash and cash equivalents (Note 3)	\$6,621,818	0	2,105,257	839,291	9,566,366
Due from other governments	71,943	111,121	0	297,928	480,992
Due from other funds (Note 4)	290,584	0	0	2,672	293,256
Other Receivables	51,980	0	24,235	0	76,215
Inventories and prepaid items	0	0	0	17,991	17,991
Total Assets	7,036,325	111,121	2,129,492	1,157,882	10,434,820
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued liabilities	628,847	55,229	0	84,677	768,753
Due to other funds (note 4)	0	55,892	0	237,364	293,256
Total Liabilities	628,847	111,121	0	322,041	1,062,009
Fund Balances					
Reserved for:					
Inventory	0	0	0	17,991	17,991
Ad Valorem	89,306	0	0	0	89,306
Unemployment	0	0	0	228,709	228,709
Debt service funds	0	0	2,129,492	281,932	2,411,424
Permanent funds	0	0	0	68,970	68,970
Unreserved:					
Designated					
Capital improvements	1,589,020	0	0	0	1,589,020
Undesignated reported in:					
Special revenue funds	0	0	0	238,239	238,239
General fund	4,729,152	0	0	0	4,729,152
Total Fund Balances	6,407,478	0	2,129,492	835,841	9,372,811
Total Liabilities and Fund Balances	\$7,036,325	111,121	2,129,492	1,157,882	10,434,820

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

Corinth School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2006

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 9,372,811
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,836,732 (Note 5).	9,412,524
2. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds (Note 6).	(2,227,816)
3. Accrued interest on debt is not due and payable in the current period, and, therefore, is not reported in the funds.	(27,409)
Total Net Assets - Governmental Activities	<u>\$ 16,530,110</u>

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

CORINTH SCHOOL DISTRICT
Statement of Revenue, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the year ended June 30, 2006

	Major Funds				Total Governmental Funds
	General Funds	Title I A Fund	Bond Retirement Fund	Other Governmental	
Revenues					
Local sources	\$ 4,231,714	-	377,730	536,783	5,146,227
State sources	7,963,017	-	-	595,659	8,558,676
Federal sources	135,953	593,553	-	1,512,387	2,241,893
Total Revenues	12,330,684	593,553	377,730	2,644,829	15,946,796
Expenditures					
Instruction	7,264,189	491,120	-	1,195,334	8,950,643
Support services	3,838,550	93,891	-	323,418	4,255,859
Noninstructional services	4,348	8,542	-	998,316	1,011,206
Facilities acquisition & construction	-	-	-	137,948	137,948
Debt Service:					
Principal	-	-	455,000	198,158	653,158
Interest	-	-	71,937	24,820	96,757
Total Expenditures	11,107,087	593,553	526,937	2,877,994	15,105,571
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,223,597	-	(149,207)	(233,165)	841,225
Other Financing Sources (Uses)					
Insurance loss recoveries	1,083	-	-	105,092	106,175
Transfers in	796,002	-	-	186,932	982,934
Transfers out	(973,623)	-	-	(9,311)	(982,934)
Total Other Financing Sources (Uses)	(176,538)	-	-	282,713	106,175
Net change in fund balances	1,047,059	-	(149,207)	49,548	947,400
Fund Balances:					
July 1, 2005	5,360,419	-	2,278,699	779,155	8,418,273
Increase in reserve for inventory	-	-	-	7,138	7,138
June 30, 2006	\$ 6,407,478	-	2,129,492	835,841	9,372,811

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

**Corinth 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**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 947,400
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 assets purchased amounted to \$315,846 and the depreciation expense amounted to \$(416,722).	(100,876)
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 activity.	653,158
3. Decrease in accrued interest is reported as an adjustment to interest expense in the statement of activity.	6,688
4. Decrease in compensated absences is reported as an adjustment to instruction.	15,754
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 activity.	7,138
6. Book value of capital assets retired during year reported as an expenditure in statement of activities but not expensed in governmental funds.	<u>(3,423)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,525,839</u>

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

**CORINTH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 4,152	46,811
TOTAL ASSETS	<u>4,152</u>	<u>46,811</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	4,618
Due to student clubs	-	42,193
TOTAL LIABILITIES	<u>-</u>	<u>46,811</u>
NET ASSETS		
Held in trust	<u>4,152</u>	
TOTAL NET ASSETS	<u>\$ 4,152</u>	

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

CORINTH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
For the year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>
Additions	
Interest on investments	\$ 129
Contributions and donations from private sources	<u>2,600</u>
Total Additions	<u>2,729</u>
Deductions	
Scholarships awarded	<u>2,552</u>
Total Deductions	<u>2,552</u>
Change in Net Assets	<u>177</u>
Net Assets	
July 1, 2005	<u>3,975</u>
June 30, 2006	<u>\$ 4,152</u>

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

**CORINTH 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 an "other stand-alone government." The school district is a related organization of but not a component unit of the City of Corinth since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the 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.

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

Note 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

The school district reports the following major governmental funds:

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

Title I A Fund – This fund is used to account for federal revenues used for supplies, materials, teachers and assistants to help students reach high standards in proficiency.

Bond Retirement Fund – This fund is used to account for revenues used to retire principal and interest on general obligation bonds.

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.

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

Note 1 Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

GOVERNMENTAL FUNDS (continued)

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

FIDUCIARY FUNDS

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

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

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

Note 1 Summary of Significant Accounting Policies (continued)

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.

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

I. Capital Assets

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

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

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

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

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

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

J. Long-term Liabilities

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

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

Note 1 Summary of Significant Accounting Policies (continued)

K. Interfund Transactions and Balances

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

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

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

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

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.

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.

Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

Reserved For Ad Valorem – An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

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

Note 1 Summary of Significant Accounting Policies (continued)

Reserved for debt service – An account that represents a portion of the fund balance which indicates that debt service payments 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 permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved fund balance – designated – An amount reserved by the School Board for new school construction.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance 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 Corinth School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

**CORINTH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of a 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 \$9,566,366 and \$50,963, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$9,497,396 and Restricted Assets \$68,970. The Restricted assets represents the cash balance of Endowments (Permanent Funds) which are legally restricted and may not be used for purposes that support the district's program. The bank balance was \$9,983,609.

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 \$9,983,609 was exposed to custodial credit risk.

Note 4 Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Major funds:	<u>Description</u>	<u>Due From</u>	<u>Due To</u>
General	Temporary Loan	\$ 290,584	
Title IA Fund	Temporary Loan		55,892
Non-Major funds	Temporary Loan	<u>2,672</u>	<u>237,364</u>
Total funds		<u>\$ 293,256</u>	<u>293,256</u>

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

Note 4 Interfund Transactions and Balances (continued)

B. Transfers In/Out

	Description	Transfer In	Transfer Out
Major Funds:			
General Funds	Transfers Out - District Maintenance support for other funds.	\$ 796,002	973,623
Non-major funds	Transfers In - Support	186,932	9311
Total funds		\$ 982,934	982,934

Note 5 Capital Assets

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

	Balance 7/1/2005	Additions	Retirements	Adjustments	Balance 6/30/2006
Non-depreciable capital					
Land	\$ 1,066,556	-	-	-	1,066,556
Construction in Progress	140,490	137,944	-	(278,434)	0
Total non-depreciable capital assets	1,207,046	137,944	-	(278,434)	1,066,556
Depreciable capital assets					
Buildings	9,479,867	-	-	-	9,479,867
Building Improvements	2,054,013	-	-	278,434	2,332,447
Improvements other than buildings	1,596,718	-	-	-	1,596,718
Mobile Equipment	1,407,897	139,850	(9,115)	-	1,538,632
Furniture & Equipment	216,794	38,052	(19,811)	-	235,035
Total depreciable capital assets	14,755,289	177,902	(28,926)	278,434	15,182,699
Less accumulated depreciation for:					
Buildings	3,396,720	163,751	-	-	3,560,471
Building Improvements	1,338,325	91,387	-	-	1,429,712
Improvements other than buildings	682,639	63,869	-	-	746,508
Mobile Equipment	836,672	84,815	(8,204)	-	913,283
Furniture & Equipment	191,156	12,900	(17,299)	-	186,757
Total accumulated depreciation	6,445,512	416,722	(25,503)	-	6,836,731
Total depreciable capital assets, net	8,309,777	(238,820)	(3,423)	278,434	8,345,968
Governmental activities capital assets, net	9,516,823	(100,876)	(3,423)	-	9,412,524

Adjustments consist of reclassifications of building improvements out of buildings.

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

Note 5 Capital Assets (continued)

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 246,680
Support Services	169,225
Non-instructional	817
Total depreciation expense	<u>\$ 416,722</u>

Note 6 Long-term Liabilities

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

	Balance 7/1/2005	Additions	Reductions	Balance 6/30/2006	Amounts due within one year
A. General obligations bonds payable	\$ 2,170,000	-	455,000	1,715,000	445,000
B. Three-mill ten-year notes payable	524,749	-	166,897	357,852	174,787
C. Other loans payable	37,159	-	31,261	5,898	5,898
D. Compensated absences payable	164,820	-	15,754	149,066	-
Totals	<u>\$ 2,896,728</u>	<u>-</u>	<u>668,912</u>	<u>2,227,816</u>	<u>625,685</u>

A. General obligation bonds payable.

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

Description	Rate	Issue Date	Date	Issued	Outstanding
General obligation refunding bonds					
Series 2001	2.45-3.9%	11/28/2001	8/1/2009	\$ 3,660,000	1,715,000
Total				<u>\$ 3,660,000</u>	<u>1,715,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2007	445,000	55,153	500,153
2008	435,000	39,758	474,758
2009	425,000	23,959	448,959
2010	410,000	7,995	417,995
Total	<u>\$ 1,715,000</u>	<u>126,865</u>	<u>1,841,865</u>

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

Note 6 Long-term Liabilities (continued)

A. General obligation bonds payable. (continued)

This debt will be retired from the Bond Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of taxable property within such district, according to the then last completed assessment for taxation unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 2.0% of property assessments as of October 1, 2005. This debt will be retired from the bond retirement fund.

This debt will be retired from the bond retirement fund.

B. Three-mill ten-year notes payable.

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

Year Ending June 30,	Principal	Interest	Total
2007	174,787	16,927	191,714
2008	183,065	8,662	191,727
Total	\$ 357,852	25,589	383,441

This debt will be retired from the 3 Mill Debt Retirement Fund.

C. Other loans payable.

The school district has issued debt instruments granted under the authority of the Asbestos School Hazard Abatement Act of 1984.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Asbestos Abatement Loan	0.00%	6/87	12/06	\$ 212,497	5,898

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

Year Ending June 30,	Principal	Total
2007	\$ 5,898	5,898

This debt will be retired from the asbestos debt fund.

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

Note 6 Long-term Liabilities (continued)

D. 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.

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 members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444-PERS.

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2006 was 10.75% of the annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the years ending June 30, 2006, 2005, and 2004, were \$916,467, \$795,679 and \$746,986 respectively, which equaled the required contributions for each year.

Note 8 Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 Pools

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 risk 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 the total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

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

Note 9 Contingencies

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a requirement for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

Note 10 Vocational Education

The school district entered into a Vocational Education Agreement dated January 31, 1984, creating the Alcorn County Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Mississippi Code Annotated (1972), and was approved by the Mississippi Department of Education. The center includes the Corinth School District and the Alcorn 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 matter in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Alcorn County School District has been designated as the lead school district for the Alcorn County Vocational Education Center, and the operations of the consortium are included in its financial statements.

Corinth School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$ 3,876,255	4,231,474	4,231,714	355,219	240
State Sources	7,854,238	7,963,017	7,963,017	108,779	-
Federal Sources	126,000	135,953	135,953	9,953	-
Total Revenues	11,856,493	12,330,444	12,330,684	473,951	240
Expenditures					
Instruction	7,133,966	7,264,189	7,264,189	(130,223)	-
Support Services	3,995,797	3,838,550	3,838,550	157,247	-
Noninstructional services	65,253	4,349	4,348	60,904	1
Facilities Acquisition and Construction	50,000	-	-	50,000	-
Total Expenditures	11,245,016	11,107,088	11,107,087	137,928	1
Excess (Deficiency) of Revenues over Expenditures	611,477	1,223,356	1,223,597	611,879	241
Other Financing Sources (Uses)					
Insurance Loss Recoveries	-	-	1,083	-	1,083
Operating Transfers In	675,700	797,085	796,002	121,385	(1,083)
Operating Transfers Out	(816,365)	(973,623)	(973,623)	(157,258)	-
Total Other Financing Sources (Uses)	(140,665)	(176,538)	(176,538)	(35,873)	-
Net Change in Fund Balance	470,812	1,046,818	1,047,059	576,006	241
Fund Balances					
July 1, 2005	3,657,240	5,360,419	5,360,419	1,703,179	-
June 30, 2006	\$ 4,128,052	6,407,237	6,407,478	2,279,185	241

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

Corinth School District
 Budgetary Comparison Schedule for the Title I-A Fund
 For the Year Ended June 30, 2006

Schedule 1
 Continued

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Federal Sources	\$ 761,870	593,553	593,553	(168,317)	-
Total Revenues	761,870	593,553	593,553	(168,317)	-
Expenditures					
Instruction	623,494	491,120	491,120	132,374	-
Support Services	145,651	93,891	93,891	51,760	-
Noninstructional Services	18,717	8,542	8,542	10,175	-
Total Expenditures	787,862	593,553	593,553	194,309	-
Excess (Deficiency) of Revenues over Expenditures	(25,992)	-	-	25,992	-
Other Financing Sources (Uses)					
Operating Transfers Out	-	-	-	-	-
Total Other Financing To Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(25,992)	-	-	25,992	-
Fund Balances					
July 1, 2005	25,993	-	-	(25,993)	-
June 30, 2006	\$ 1	-	-	(1)	-

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

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

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.

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.

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

Schedule I

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Non-cash Assistance:		
Food donation	10.550	\$ 42,786
Child Nutrition Cluster:		
School breakfast program	10.553	139,789
National school lunch program	10.555	357,904
Summer food service program for children	10.559	23,425
Total Child Nutrition Cluster		521,118
Special supplemental program for women, infants and children	10.557	28,205
Total Passed-through MDE		549,323
Total U.S. Department of Agriculture		592,109
Federal Communications Commission		
Administered through Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	47,215
Total Federal Communications Commission		47,215
U.S. Department of Education		
Direct Program:		
Impact aid	84.041	6,658
Total		6,658
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	593,553
Vocational education basic grants to states	84.048	21,824
Education technology - state grant	84.318	17,484
Safe and drug-free schools and communities - state grants	84.186	9,538
Education for homeless children and youth	84.196	35,614
State grants for innovative programs	84.298	5,855
Comprehensive school reform demonstration	84.332	52,192
Rural education	84.358	44,887
English language acquisition grants	84.365	12,708
Improving teacher quality - state grants	84.367	228,867
Hurricane education recovery	84.938	62,293
Total		1,084,815
Special Education Cluster		
Special education - grants to states	84.027	382,886
Special education - preschool grants	84.173	10,452
Total Special Education Cluster		393,338
Total Passed-through MDE		1,478,153
Total U.S. Department of Education		1,484,811
Corporation for National and Community Service		
Passed through Mississippi Commission for Volunteers-		
Institution of Higher Learning		
AmeriCorps	94.006	162,985
Total for All Federal Awards		\$ 2,287,120

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 basic financial statements.
2. The expenditure amounts include transfers out.

Corinth 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	\$ 11,482,234	8,691,615	539,891	735,428	1,515,300
Other	3,623,337	259,028	147,155	18,439	3,198,715
Total	\$ 15,105,571	8,950,643	687,046	753,867	4,714,015
Total number of students *	1,764				
Cost per student	\$ 8,563	5,074	389	427	2,672

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

Instruction and Other Student Instructional Expenditures - included 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 and 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.



Certified Public Accountants

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

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

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

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

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

Superintendent and School Board
Corinth School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Corinth School District as of and for the year ended June 30, 2006, which collectively comprise the Corinth School District's basic financial statements, and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 Corinth School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Brauer, Vansteeg & Co P.A.

May 7, 2007
Booneville, Mississippi



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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
Corinth School District

Compliance

We have audited the compliance of the Corinth 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 auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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, Corinth 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 Corinth 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.

Brauner, Vanstey + Co. P.A.

May 7, 2007
Booneville, Mississippi



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

Superintendent and School Board
Corinth School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Corinth School District as of and for the year ended June 30, 2006, and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of an 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 \$5,728 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, 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.

Brawner, Vanstory & Co. P.A.

May 7, 2007
Booneville, Mississippi

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

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors report issued on the financial statements | Unqualified |
| 2. Material noncompliance relating to the Financial statements? | No |
| 3. Internal control over financial reporting | |
| a. Material weakness(es) identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditors' report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. Any audit findings reported as required by Section .510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |

Title I Grants to Local Educational Agencies

CFDA # 84.010

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

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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