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**NOXUBEE COUNTY SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2006**

NOXUBEE COUNTY SCHOOL DISTRICT  
June 30, 2006

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**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Noxubee 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 Noxubee County School District as of and for the year ended June 30, 2006, which collectively comprise the Noxubee County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Noxubee 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 Noxubee 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 January 22, 2007, on our consideration of Noxubee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 39 and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Noxubee 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.

*Banks, Finley, White & Co.*

January 22, 2007

NOXUBEE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

The discussion and analysis of Noxubee 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 financial statements and the notes to the basic 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.

This discussion and analysis is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

#### Financial Highlights

Total net assets decreased \$718,410, which represents a 5% decrease from fiscal year 2005.

General revenues account for \$13,009,569 in revenue, or 71% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,348,910 or 29% of total revenues.

The District had \$19,076,889 in expenses; only \$5,348,910 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,009,569 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,796,285 in revenues and \$12,480,534 in expenditures. The General Fund's fund balance decreased \$392,690 from the prior year. The decrease resulted primary from a increase in salaries for instructions and support services.

Capital assets, net of accumulated depreciation, decreased by \$14,409. The decrease was due primarily to depreciation taken during the year.

Long-term debt decreased by \$571,550 from the prior year.

#### 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.

**NOXUBEE COUNTY 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, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found in Exhibit A 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 in Exhibit C-1 and D-1, respectively, of this report.

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

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 in Exhibit C and D of this report.

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

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 34 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. This required supplementary information can be found on pages 36 - 39 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 40 - 42 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 \$12,765,674 as of June 30, 2006.

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

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and a comparison of the same information as presented at June 30, 2005.

	<u>NET ASSETS</u>		<u>PERCENTAGE CHANGE</u>
	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>	
Current assets	\$ 5,242,938	\$ 6,609,107	(20.67)%
Capital assets, net	<u>17,696,798</u>	<u>17,711,207</u>	(0.08)%
Total assets	<u>\$ 22,939,736</u>	<u>\$ 24,320,314</u>	(5.68)%
Current liabilities	\$ 1,858,185	\$ 1,948,803	(4.65)%
Long-term debt outstanding	<u>8,315,877</u>	<u>8,887,427</u>	(6.43)%
Total liabilities	<u>\$ 10,174,062</u>	<u>\$ 10,836,230</u>	(6.11)%
<b>Net assets</b>			
Invested in capital assets, net of related debt	\$ 9,483,465	\$ 8,916,858	6.35 %
Restricted	3,071,015	3,953,878	(22.33)%
Unrestricted	<u>211,194</u>	<u>613,348</u>	(65.57)%
Total net assets	<u>\$ 12,765,674</u>	<u>\$ 13,484,084</u>	(5.33)%

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

The use of current assets to pay for current liabilities and long term liabilities reduced both current assets and liabilities for the year ending June 30, 2006.

**Changes in net assets** - The District's total revenues for the fiscal year ended June 30, 2006 were \$18,358,479. The total cost of all programs and services was \$19,076,889. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2006 and 2005, respectively.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

	<u>CHANGES IN NET ASSETS</u>		<u>PERCENTAGE CHANGE</u>
	<u>JUNE 30, 2006</u>	<u>JUNE 30, 2005</u>	
Revenues			
Program revenues:			
Charges for services	\$ 182,335	\$ 150,589	21.08 %
Operating grants and contributions	\$ 5,166,575	4,562,125	13.25 %
General revenues;			
Property taxes	2,831,870	2,502,771	13.15 %
Grants and contributions not restricted	9,535,828	9,175,496	3.93 %
Other	641,871	523,289	22.66 %
Total revenues	<u>18,358,479</u>	<u>16,914,270</u>	8.54 %
Expenses			
Instruction	10,204,523	9,414,923	8.39 %
Support services	7,125,822	6,075,337	17.29 %
Non-instructional	1,216,424	1,185,274	2.63 %
Sixteenth section	116,976	42,628	174.41 %
Interest on long-term liabilities	413,144	451,565	(8.51)%
Total expenses	<u>19,076,889</u>	<u>17,169,727</u>	11.11 %
Increase in net assets	(718,410)	(255,457)	181.23 %
Net Assets, July 1	13,484,084	13,737,412	(1.84)%
Prior period adjustment	-	2,129	(100.00)%
Net Assets, June 30	<u>\$ 12,765,674</u>	<u>\$ 13,484,084</u>	(5.33)%

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

The increase in general revenues from the amount reported in prior year was due to an increase in ad valorem receipts, grants and the increase in timber sales from sixteen section lands..

The increase in total expenses is primarily a result of an increase in teacher salaries, as mandated by the Mississippi State Legislature.

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

	<u>2006</u>		<u>2005</u>	
	<u>TOTAL EXPENSES</u>	<u>NET (EXPENSE) REVENUE</u>	<u>TOTAL EXPENSES</u>	<u>NET (EXPENSE) REVENUE</u>
Instruction	\$ 10,204,523	\$ (7,734,974)	\$ 9,414,923	\$ (7,143,913)
Support services	7,125,822	(5,356,972)	6,075,337	(4,860,968)
Non-instructional	1,216,424	(105,913)	1,185,274	42,061
Sixteenth section	116,976	(116,976)	42,628	(42,628)
Interest on long-term liabilities	413,144	(413,144)	451,565	(451,565)
Total Expenses	<u>\$ 19,076,889</u>	<u>\$ (13,727,979)</u>	<u>\$ 17,169,727</u>	<u>\$ (12,457,013)</u>

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

Net cost of governmental activities (\$13,727,979), was financed by general revenue, which is made up of primarily property taxes ( \$2,831,870 ) and state revenue \$9,431,953.

Investment earnings accounted for \$35,825 of funding.

Sixteenth section sources accounted for \$330,348 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 \$3,522,998, a decrease of \$1,292,875.

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 \$392,690. The other major funds presented are the Sixteenth Section Interest Fund and the Sixteenth Section Principal Fund. The decrease in fund balance of the Sixteenth Section Interest Fund of \$283,754 is due primarily from transfers to other funds. The Sixteenth Section Principal Fund balance increased by \$1,320.

**Budgetary Highlights**

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

- ◆ Budgeted amounts for local revenues were overestimated. We anticipated receiving more fees from student activities and transportation. We also received less tax revenues than anticipated.
- ◆ Budgeted state revenues decreased because of cuts from the state that were not anticipated.
- ◆ Budgeted revenues for federal increase because of E-Rate receipts.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major special revenue 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 \$24,100,529, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$574,149 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$6,403,731, and total depreciation expense for the year was \$588,558, resulting in total net assets of \$17,696,798.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2006**

	<u>CAPITAL ASSETS, NET DEPRECIATION</u>		<u>PERCENTAGE</u>
	<u>2006</u>	<u>2005</u>	<u>CHANGE</u>
Land	\$ 49,211	49,211	- %
Construction in progress	59,865	1,333,264	(95.51)%
Building	14,688,795	13,337,745	10.13 %
Building improvements	1,962,707	2,075,901	(5.45)%
Improvements other than buildings	168,162	187,995	(10.55)%
Mobile equipment	717,557	681,812	5.24 %
Furniture and equipment	50,501	45,279	11.53 %
Total	<u>\$ 17,696,798</u>	<u>\$ 17,711,207</u>	(0.08)%

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

**Debt Administration** - At June 30, 2006, the District had \$8,315,877 in general obligation bonds and other long-term debt outstanding, of which \$653,114 is due within one year.

	<u>OUTSTANDING DEBT</u>		<u>PERCENTAGE</u>
	<u>2006</u>	<u>2005</u>	<u>CHANGE</u>
General obligation bonds payable	\$ 3,110,000	\$ 3,270,000	(4.89)%
Limited obligation bonds payable	3,420,000	3,605,000	(5.13)%
Obligations under energy efficiency leases	158,644	308,875	(48.64)%
Three mill note payable	1,219,000	1,260,000	(3.25)%
Obligations under capital leases	305,689	350,474	(12.78)%
Compensated absences payable	102,544	93,078	10.17 %
Total	<u>\$ 8,315,877</u>	<u>\$ 8,887,427</u>	(6.43)%

The District maintains a AA insured rating with Standard and Poor's.

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

**Current Issues**

The Noxubee 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 millage has remained the lowest of all Districts. In addition, the District's 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.

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

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,714,299
Due from other governments	514,591
Other receivables, net	553,089
Inventories and prepaid items	13,090
Restricted assets	447,869
Capital assets, not being depreciated:	
Land	49,211
Construction in progress	59,865
Capital assets, net of accumulated depreciation:	
Buildings	14,688,795
Building improvements	1,962,707
Improvements other than buildings	168,162
Mobile equipment	717,557
Furniture and equipment	<u>50,501</u>
<b>Total Assets</b>	<b>\$ <u>22,939,736</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,035,455
Due to other governments	462,159
Deferred revenue	222,325
Interest payable on long-term liabilities	138,246
Long-term liabilities, due within one year	
Capital related liabilities	613,214
Noncapital related liabilities	39,900
Long-term liabilities, due beyond one year	
Capital related liabilities	7,600,119
Noncapital related liabilities	<u>62,644</u>
<b>Total Liabilities</b>	<b><u>10,174,062</u></b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	9,483,465
Restricted net assets:	
Expendable:	
School-based activities	1,311,830
Debt service	177,411
Capital improvements	480,524
Forestry improvements	209,057
Unemployment benefits	58,685
Nonexpendable:	
Sixteenth section	833,508
Unrestricted	<u>211,194</u>
<b>Total Net Assets</b>	<b><u>12,765,674</u></b>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>22,939,736</u></b>

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

NOXUBEE 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	Governmental Activities
Governmental Activities:					
Instruction	\$10,204,523	135,837	2,333,712	-	\$ (7,734,974)
Support services	7,125,822	1,030	1,767,820	-	(5,356,972)
Non-instructional	1,216,424	45,468	1,065,043	-	(105,913)
Sixteen section	116,976	-	-	-	(116,976)
Interest on long-term liabilities	413,144	-	-	-	(413,144)
Total Governmental Activities	<u>\$19,076,889</u>	<u>182,335</u>	<u>5,166,575</u>	<u>-</u>	<u>(13,727,979)</u>
General Revenues:					
Taxes:					
					\$ 2,493,497
					338,373
Unrestricted grants and contributions:					
					9,431,953
					103,875
					35,825
					330,348
					275,698
					<u>13,009,569</u>
Total General Revenues, Special Items Extraordinary Items and Transfers					
					<u>13,009,569</u>
Change in net Assets					
					<u>(718,410)</u>
Net Assets - Beginning					
					<u>13,484,084</u>
Net Assets - Ending					
					<u>\$ 12,765,674</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
 Balance Sheet  
 Governmental Funds  
 June 30, 2006

ASSETS	Major Funds	
	General Fund	Sixteen Section Interest Fund
Cash and cash equivalents	\$ 1,294,977	1,348,486
Cash with fiscal agent	-	-
Due from other governments	135,238	5,000
Other receivable, net	18,917	-
Due from other funds	816,040	-
Advances to other funds	-	-
Inventories and prepaid items	-	-
<b>Total Assets</b>	<b><u>\$ 2,265,172</u></b>	<b><u>1,353,486</u></b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 119,302	9,670
Due to other funds	1,290,712	276,226
Advances from other funds	541,419	-
Deferred revenue	-	-
<b>Total Liabilities</b>	<b><u>1,951,433</u></b>	<b><u>285,896</u></b>
<b>Fund Balances:</b>		
<b>Reserved for:</b>		
Unemployment benefits	-	-
Forestry improvements purposes	-	-
Permanent Fund purposes	-	-
Capital improvements	-	-
Debt Service	-	-
Inventory	-	-
<b>Unreserved - Undesignated, reported in:</b>		
General Fund	313,739	-
Special Revenue Funds	-	1,067,590
<b>Total Fund Balances</b>	<b><u>313,739</u></b>	<b><u>1,067,590</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,265,172</u></b>	<b><u>1,353,486</u></b>

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

Sixteen Section Principal Fund	Other Governmental Funds	Total Governmental Funds
313,372	1,070,836	\$ 4,027,671
-	134,497	134,497
-	374,354	514,592
-	-	18,917
-	541,702	1,357,742
541,419	-	541,419
<u>-</u>	<u>13,090</u>	<u>13,090</u>
<u>854,791</u>	<u>2,134,479</u>	<u>\$ 6,607,928</u>
-	102,642	\$ 231,614
21,283	501,351	2,089,572
-	-	541,419
<u>-</u>	<u>222,325</u>	<u>222,325</u>
<u>21,283</u>	<u>826,318</u>	<u>3,084,930</u>
-	58,685	58,685
-	209,057	209,057
833,508	-	833,508
-	480,524	480,524
-	315,657	315,657
-	13,090	13,090
-	-	313,739
<u>-</u>	<u>231,148</u>	<u>1,298,738</u>
<u>833,508</u>	<u>1,308,161</u>	<u>3,522,998</u>
<u>854,791</u>	<u>2,134,479</u>	<u>\$ 6,607,928</u>

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

	Amount
Total Fund Balance - Governmental Funds	\$ 3,522,998
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,403,731	17,696,798
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(8,315,877)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(138,246)
4. Rounding	1
Total Net Assets - Governmental Activities	\$ 12,765,674

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

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

	Major Funds	
	General Fund	Sixteen Section Interest Fund
<b>Revenues:</b>		
Local sources	\$ 2,858,115	-
State sources	8,834,295	-
Federal sources	103,875	-
Sixteenth section sources	-	299,740
Total Revenues	<u>11,796,285</u>	<u>299,740</u>
<b>Expenditures:</b>		
Instruction	6,891,752	-
Support services	5,420,465	-
Noninstructional services	-	-
Sixteen section	-	30,791
Facilities acquisition and contribution	-	-
Debt service:		
Principal	138,664	-
Interest	29,653	-
Total Expenditures	<u>12,480,534</u>	<u>30,791</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(684,249)</u>	<u>268,949</u>
<b>Other Financing Sources (Uses):</b>		
Insurance loss recoveries	45,170	-
Operating transfers in	977,634	-
Operating transfers out	(729,631)	(552,323)
Other uses	(1,614)	(380)
Total Other Financing Sources (Uses)	<u>291,559</u>	<u>(552,703)</u>
Net Change in Fund Balances	<u>(392,690)</u>	<u>(283,754)</u>
<b>Fund Balances:</b>		
July 1, 2005	706,429	1,351,344
Prior period adjustments	-	-
July 1, 2005, as restated	<u>706,429</u>	<u>1,351,344</u>
(Decrease) in reserve for inventory	-	-
June 30, 2006	<u>\$ 313,739</u>	<u>1,067,590</u>

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

EXHIBIT D

Sixteen Section Principal Fund	Other Governmental Funds	Total Governmental Funds
-	421,413	\$ 3,279,528
-	1,078,009	9,912,304
-	4,686,224	4,790,099
<u>22,602</u>	<u>9,035</u>	<u>331,377</u>
<u>22,602</u>	<u>6,194,681</u>	<u>18,313,308</u>
-	2,877,660	9,769,412
-	1,728,474	7,148,939
-	1,170,921	1,170,921
-	86,186	116,977
-	399,763	399,763
-	442,352	581,016
-	<u>400,813</u>	<u>430,466</u>
-	<u>7,106,169</u>	<u>19,617,494</u>
<u>22,602</u>	<u>(911,488)</u>	<u>(1,304,186)</u>
-	-	45,170
-	577,721	1,555,355
(21,282)	(252,119)	(1,555,355)
-	<u>(26,374)</u>	<u>(28,368)</u>
<u>(21,282)</u>	<u>299,228</u>	<u>16,802</u>
<u>1,320</u>	<u>(612,260)</u>	<u>(1,287,384)</u>
832,188	1,925,912	4,815,873
-	-	-
<u>832,188</u>	<u>1,925,912</u>	<u>4,815,873</u>
-	<u>(5,491)</u>	<u>(5,491)</u>
<u>833,508</u>	<u>1,308,161</u>	<u>\$ 3,522,998</u>

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

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (1,287,384)
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 purchase amounted to \$574,149 and the depreciation expense amounted to \$588,558.	(14,409)
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 Activities.	581,016
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	17,323
4. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but Noninstructional expenditures are increased in the Statement of Activities.	(5,491)
5. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the government funds: Compensated absences	(9,466)
6. Rounding	1
Change in Net Assets of Governmental Activities	\$ (718,410)

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

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

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 113,512
Due from other funds	<u>803,844</u>
Total Assets	<u>\$ 917,356</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 831,170
Due to other funds	72,014
Due to student clubs	<u>14,172</u>
Total Liabilities	<u>\$ 917,356</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the 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 (5) member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and 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.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus on 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.

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - This fund is used to account for revenues and expenditures associated with sixteenth section land.

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.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

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

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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

Cash and cash equivalents 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.

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).

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

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	\$ 0	0
Buildings	50,000	40 years
Buildings 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 4 for details.

J. Long-term liabilities

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

K. Interfund Transactions and Balances

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

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

L. Equity Classifications

*Government-wide Financial Statements:*

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

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, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other 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 capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

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.

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

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.

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

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

M. 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.

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.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

NOTE 2 - CHANGES IN ACCOUNTING STANDARDS

As required, the 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.

NOTE 3 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

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 and investments are imposed by the statutes as follows:

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,027,671 and \$113,512, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,714,299 and Restricted Assets \$447,869. The restricted assets represent the cash balance of the sixteenth section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$5,896,766.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, 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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages the 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 \$4,811,412 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$134,497.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
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	\$ 816,040	\$ 1,290,712
Sixteenth Section Interest Fund	-	276,226
Sixteenth Section Principal Fund	-	21,283
Other governmental funds	541,702	501,351
 Fiduciary Funds	<u>803,844</u>	<u>72,014</u>
Total	<u>\$ 2,161,586</u>	<u>\$ 2,161,586</u>

Due from other funds represents amounts receivable from other funds and due to other funds represents amounts payable to other funds.

B. Advances To/From Other Funds

	<u>Advances To</u>	<u>Advances From</u>
Governmental Funds		
Major funds		
Sixteenth Section Principal Fund	\$ 541,419	\$ -
 Major funds		
General fund	-	541,419
Total	<u>\$ 541,419</u>	<u>\$ 541,419</u>

The sixteenth section principal loan payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth Section Principal Loan Payable

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 56,352	20,824	\$ 77,176
2008	58,606	18,570	77,176
2009	60,961	16,225	77,186
2010	63,389	13,787	77,176
2011	65,924	11,252	77,176
2012 - 2015	<u>236,187</u>	<u>17,508</u>	<u>253,695</u>
Total	<u>\$ 541,419</u>	<u>98,166</u>	<u>\$ 639,585</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

C. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 977,634	\$ 729,631
Sixteenth Section Interest Fund	-	552,323
Sixteenth Section Principal Fund	-	21,282
Other Governmental Funds	<u>577,721</u>	<u>252,119</u>
Total	<u>\$ 1,555,355</u>	<u>\$ 1,555,355</u>

Transfers-in represent the receipts of monies from other funds and transfers-out represent monies disbursed to other funds.

NOTE 5 - CAPITAL ASSETS

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

	<u>Balance July 1, 2005</u>	<u>Addition</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance June 30, 2006</u>
<u>Non-depreciable Capital assets:</u>					
Land	\$ 49,211	-	-	-	\$ 49,211
Construction in progress	<u>1,333,264</u>	<u>399,763</u>	<u>(1,673,162)</u>	<u>-</u>	<u>59,865</u>
Total non-depreciable capital assets	<u>1,382,475</u>	<u>399,763</u>	<u>(1,673,162)</u>	<u>-</u>	<u>109,076</u>
<u>Depreciable capital assets:</u>					
Buildings	16,047,681	-	1,673,162	-	17,720,843
Building improvements	3,149,676	-	-	-	3,149,676
Improvements other than buildings	195,828	-	-	-	195,828
Mobile equipment	2,437,825	154,099	-	-	2,591,924
Furniture and equipment	<u>312,895</u>	<u>20,287</u>	<u>-</u>	<u>-</u>	<u>333,182</u>
Total depreciable capital assets	<u>22,143,905</u>	<u>174,386</u>	<u>1,673,162</u>	<u>-</u>	<u>23,991,453</u>
<u>Less accumulated depreciation for:</u>					
Buildings	2,709,936	322,112	-	-	3,032,048
Building improvements	1,073,775	113,194	-	-	1,186,969
Improvements other than buildings	7,833	19,833	-	-	27,666
Mobile equipment	1,756,013	118,354	-	-	1,874,367
Furniture and equipment	<u>267,616</u>	<u>15,065</u>	<u>-</u>	<u>-</u>	<u>282,681</u>
Total accumulated depreciation	<u>5,815,173</u>	<u>588,558</u>	<u>-</u>	<u>-</u>	<u>6,403,731</u>
Total depreciable capital assets, net	<u>16,328,732</u>	<u>(414,172)</u>	<u>1,673,162</u>	<u>-</u>	<u>17,587,722</u>
Governmental activities capital assets, net	<u>\$ 17,711,207</u>	<u>(14,409)</u>	<u>-</u>	<u>-</u>	<u>\$ 17,696,798</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 428,866
Support services	128,046
Non-instructional	31,646
Total depreciation expense	\$ 588,558

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

	Remaining Commitment	Required Future Financing
Baseball Field Construction	\$ 10,786	\$ -
Ag Building	4,938	-
Total	\$ 15,724	\$ -

**NOTE 6 - LONG-TERM LIABILITIES**

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

	Balance Jul. 1, 2005	Additions	Reduction	Balance June 30, 2006	Amount Due Within One Year
A. General obligation bond payable	\$ 3,270,000	-	160,000	\$3,110,000	\$ 160,000
B. Limited obligation bond payable	3,605,000	-	185,000	3,420,000	195,000
C. Obligation under energy efficiency leases	308,875	-	150,231	158,644	158,644
D. Three mill note payable	1,260,000	-	41,000	1,219,000	53,000
E. Obligation under capital lease	350,474	-	44,785	305,689	46,570
F. Compensated absences payable	93,078	9,466	-	102,544	39,900
Total	\$ 8,887,427	9,466	581,016	\$ 8,315,877	\$ 653,114

**A. General obligation bond 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	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1999	Varies	09-15-1999	09-15-2019	\$ 3,900,000	\$ 3,110,000
				\$ 3,900,000	\$ 3,110,000

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 160,000	150,906	\$ 310,906
2008	170,000	142,175	312,175
2009	180,000	134,081	314,081
2010	185,000	125,571	310,571
2011	195,000	116,593	311,593
2012 - 2016	1,140,000	426,292	1,566,292
2017 - 2021	<u>1,080,000</u>	<u>110,996</u>	<u>1,190,996</u>
Total	<u>\$ 3,110,000</u>	<u>1,206,614</u>	<u>\$ 4,316,614</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 6% property assessments as of October 1, 2005. This debt will be retired from Noxubee County School District Debt Service Fund.

B. Limited obligation bond 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 bonds	Varies	06-01-1998	02-01-2018	\$ 4,405,000	\$ 3,420,000
				<u>\$ 4,405,000</u>	<u>\$ 3,420,000</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 195,000	152,903	\$ 347,903
2008	205,000	141,281	346,281
2009	215,000	131,063	346,063
2010	225,000	121,163	346,163
2011	235,000	110,813	345,813
2012 - 2016	1,365,000	380,139	1,745,139
2017 - 2020	<u>980,000</u>	<u>59,613</u>	<u>1,039,613</u>
Total	<u>\$ 3,420,000</u>	<u>1,096,975</u>	<u>\$ 4,516,975</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 Noxubee County School District Debt Service Fund.

C. Obligation under energy efficiency leases

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2007	\$ <u>158,644</u>	<u>8,884</u>	\$ <u>167,528</u>
Total	<u>\$ 158,644</u>	<u>8,884</u>	<u>\$ 167,528</u>

An energy efficiency lease agreement dated June 25, 1997, was executed by and between the district, the lessee, and Trustmark National Bank, the lessor.

The agreement authorized the borrowing of \$1,256,731 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not to exceed ten (10) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Mississippi Code Annotated (1972).

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from Noxubee Count School District General Fund.

D. Three mill note payable

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill note payable	3.75% to 4.25%	10/15/02	10/15/17	\$ <u>1,400,000</u>	\$ <u>1,219,000</u>
				\$ <u>1,400,000</u>	\$ <u>1,219,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 53,000	49,586	\$ 102,586
2008	55,000	47,426	102,426
2009	57,000	45,186	102,186
2010	94,000	42,112	136,112
2011	98,000	38,183	136,183
2012 - 2016	580,000	123,205	703,205
2017 - 2020	<u>282,000</u>	<u>12,121</u>	<u>294,121</u>
Total	\$ <u>1,219,000</u>	<u>357,819</u>	\$ <u>1,576,819</u>

This debt will be retired from Noxubee County School District Debt Service Fund.

E. Obligation Under Capital Lease

The school district entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of school buses, lawn mowers, pickup truck and stadium seating

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

The various options available to the lessee are as follows:

1. Prepay the lease obligation in amounts equal to or exceeding \$10,000
2. Purchase all or any part of the equipment under the purchase option included in the Master Lease Agreement

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

Year Ending June 30	Principal	Interest	Total
2007	\$ 46,570	11,924	\$ 58,494
2008	48,426	10,068	58,494
2009	38,793	8,237	47,030
2010	40,398	6,632	47,030
2011	42,070	4,960	47,030
2012 - 2016	<u>89,432</u>	<u>4,626</u>	<u>94,058</u>
Total	<u>\$ 305,689</u>	<u>46,447</u>	<u>\$ 352,136</u>

This debt will be retired from the District Maintenance Fund.

F. Compensated absences payable.

As more fully explained in Note 1(0), 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 \$919,819, \$913,804, and \$848,048, respectively, which equaled the required contributions for each year.

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2006

NOTE 8 - SIXTEENTH SECTION LANDS

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

Year Ending June	Amount
2007	\$ 238,964
2008	233,305
2009	206,620
188867	167,903
2011	156,609
2012 - 2016	630,452
2017 - 2021	755,401
2022 - 2026	755,401
2027 - 2031	686,255
2032 - 2036	643,174
2037 - 2041	348,769
2042 - 2046	86,104
2045 - 2049	13,768
	\$ 4,922,725

NOTE 9 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi 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 Bancorp South 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 which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NOXUBEE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2006

NOXUBEE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenues:</b>					
Local sources	\$ 2,634,982	2,856,297	2,858,115	221,315	\$ 1,818
State sources	8,850,016	8,834,296	8,834,295	(15,720)	(1)
Federal sources	133,701	103,875	103,875	(29,826)	-
<b>Total Revenues</b>	<u>11,618,699</u>	<u>11,794,468</u>	<u>11,796,285</u>	<u>175,769</u>	<u>1,817</u>
<b>Expenditures:</b>					
Instruction	7,128,560	6,932,615	6,891,752	195,945	40,863
Support services	4,647,986	5,282,145	5,420,465	(634,159)	(138,320)
Noninstructional services	116,900	120,000	-	(3,100)	120,000
Facilities acquisition and const.	-	-	-	-	-
Debt service	226,023	224,669	168,317	1,354	56,352
<b>Total Expenditures</b>	<u>12,119,469</u>	<u>12,559,429</u>	<u>12,480,534</u>	<u>(439,960)</u>	<u>78,895</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(500,770)</u>	<u>(764,961)</u>	<u>(684,249)</u>	<u>(264,191)</u>	<u>80,712</u>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	-	45,170	45,170	45,170	-
Operating transfers in	1,015,295	977,634	977,634	(37,661)	-
Operating transfers out	(852,800)	(729,629)	(729,631)	123,171	(2)
Other uses	-	(1,614)	(1,614)	(1,614)	-
<b>Total Other Financing Sources     (Uses)</b>	<u>162,495</u>	<u>291,561</u>	<u>291,559</u>	<u>129,066</u>	<u>(2)</u>
<b>Net Change in Fund Balances</b>	<u>(338,275)</u>	<u>(473,400)</u>	<u>(392,690)</u>	<u>(135,125)</u>	<u>80,710</u>
<b>Fund Balances:</b>					
July 1, 2005	1,205,757	1,144,108	706,429	(61,649)	(437,679)
Prior period adjustment	-	-	-	-	-
July 1, 2005, as restated	<u>1,205,757</u>	<u>1,144,108</u>	<u>706,429</u>	<u>(61,649)</u>	<u>(437,679)</u>
June 30, 2006	<u>\$ 867,482</u>	<u>670,708</u>	<u>313,739</u>	<u>(196,774)</u>	<u>\$ (356,969)</u>

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

	<u>Budgeted Amounts</u>		Actual (GAAP Basic)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Sixteenth section sources	\$ 291,909	338,129	299,740	7,831	\$ (38,389)
Total Revenues	<u>291,909</u>	<u>338,129</u>	<u>299,740</u>	<u>7,831</u>	<u>(38,389)</u>
Expenditures:					
Sixteenth section	27,000	30,791	30,791	(3,791)	-
Total Expenditures	<u>27,000</u>	<u>30,791</u>	<u>30,791</u>	<u>(3,791)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>264,909</u>	<u>307,338</u>	<u>268,949</u>	<u>4,040</u>	<u>(38,389)</u>
Other Financing Sources (Uses):					
Operating transfers out	(618,904)	(552,323)	(552,323)	66,581	-
Other uses	-	(380)	(380)	(380)	-
Total Other Financing Sources (Uses)	<u>(618,904)</u>	<u>(552,703)</u>	<u>(552,703)</u>	<u>66,201</u>	<u>-</u>
Net Change in Fund Balances	<u>(353,995)</u>	<u>(245,365)</u>	<u>(283,754)</u>	<u>70,241</u>	<u>(38,389)</u>
Fund Balances:					
July 1, 2005	1,324,957	1,324,957	1,351,344	26,387	26,387
Prior period adjustment	-	-	-	-	-
July 1, 2005, as restated	<u>1,324,957</u>	<u>1,324,957</u>	<u>1,351,344</u>	<u>26,387</u>	<u>26,387</u>
June 30, 2006	<u>\$ 970,962</u>	<u>1,079,592</u>	<u>1,067,590</u>	<u>96,628</u>	<u>\$ (12,002)</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteen Section Principal Fund  
 For the Year Ended June 30, 2006

	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basic)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues:					
Sixteenth section sources	\$ <u>23,626</u>	<u>22,602</u>	<u>22,602</u>	<u>(1,024)</u>	\$ <u>-</u>
Total Revenues	<u>23,626</u>	<u>22,602</u>	<u>22,602</u>	<u>(1,024)</u>	<u>-</u>
Expenditures:					
Sixteenth section	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,626</u>	<u>22,602</u>	<u>22,602</u>	<u>(1,024)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(23,476)</u>	<u>(21,282)</u>	<u>(21,282)</u>	<u>2,194</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(23,476)</u>	<u>(21,282)</u>	<u>(21,282)</u>	<u>2,194</u>	<u>-</u>
Net Change in Fund Balances	<u>150</u>	<u>1,320</u>	<u>1,320</u>	<u>1,170</u>	<u>-</u>
Fund Balances:					
July 1, 2005	<u>832,188</u>	<u>832,188</u>	<u>832,188</u>	<u>-</u>	<u>-</u>
June 30, 2006	\$ <u>832,338</u>	<u>833,508</u>	<u>833,508</u>	<u>1,170</u>	\$ <u>-</u>

NOXUBEE COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2006

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions.

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

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through Mississippi Department of Education:		
Non-Cash Assistance:		
Food Donation	10.550	\$ <u>54,310</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	267,252
National School Lunch Program	10.555	718,205
Summer Food Service Program for Children	10.559	<u>45,658</u>
Total Child Nutrition Cluster		<u>1,031,115</u>
Total U.S. Department of Agriculture		<u>1,085,425</u>
 <u>U. S. Department of Education</u>		
Direct Program:		
Literacy through school libraries	84.364	<u>331,153</u>
Total		<u>331,153</u>
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,461,276
Vocational education - basic grants to states	84.048	44,590
Safe and drug-free schools and communities - state grants	84.186	30,654
Eisenhower professional development - State grants	84.281	297,818
Technology literacy challenge fund grants	84.318	64,980
Improving teacher quality - state grants	84.367	7,384
Reading first state grant	84.357	538,449
Rural education	84.358	70,119
Grants for state assessments and related activities	84.369	<u>13,194</u>
Total		<u>2,528,464</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 547,469
Special education - preschool grants	84.173	<u>29,992</u>
Total		<u>577,461</u>
Total passed-through Mississippi Department of Education		<u>3,105,925</u>
Total U.S. Department of Education		<u>3,437,078</u>
 <u>U. S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Temporary assistance for needy families	93.558	<u>107,433</u>
Total U. S. Department of Health and Human Services		<u>107,433</u>
 <u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officer Training Program	12.XXX	<u>50,829</u>
Total U. S. Department of Defense		<u>50,829</u>
 <u>Federal Communications Commission</u>		
Administered through the Universal Service		
Administration Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>16,786</u>
Total Federal Communications Commission		<u>16,786</u>
 <u>Corporation for National and Community service</u>		
Passed-through Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	<u>5,459</u>
Total Federal Communications Commission		<u>5,459</u>
Total for All Federal Awards		<u>\$ 4,703,010</u>

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

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$14,500,958	9,969,493	304,771	827,310	\$ 3,399,384
Other	<u>5,116,536</u>	<u>1,749,612</u>	<u>276,858</u>	<u>55,402</u>	<u>3,034,664</u>
Total	<u>\$19,617,494</u>	<u>11,719,105</u>	<u>581,629</u>	<u>882,712</u>	<u>\$ 6,434,048</u>
 Total number of students*	 2,128				
 Cost per student	 \$ 9,219	 \$ 5,507	 \$ 273	 415	 \$ 3,024

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

**Instruction and other student instructional expenditures** - Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, 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 functions: Support Services - School Administration (2400s)

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

NOXUBEE COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

JUNE 30, 2006



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S  
REPORT ON INTERNAL CONTROL OVER FINANCIAL  
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  
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2006, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated January 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Noxubee County 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 an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Noxubee County School District's ability to initiate record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Finding and Questioned Cost as finding 06-1.

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 amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described in the finding referred to above, is considered to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Noxubee County 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 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.

*Banks, Faily, White & Co.*

January 22, 2007



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Noxubee County School District

Compliance

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

We noted a certain mater involving the internal control over compliance and its operation that we consider to be a reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the school district's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Finding 06-02 and 06-3.

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 note be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matter in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the finding referred to above is a material weakness.

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.

*Bink, Faily, White & cc*

January 22, 2007



**BANKS, FINLEY,  
WHITE & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2006, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated January 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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 37-61-333(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 37-61-333(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$27,624 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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

*Banks, Finley, White & Co.*

January 22, 2007

NOXUBEE COUNTY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

JUNE 30, 2006

NOXUBEE COUNTY SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements.                        | Unqualified |
| 2. | Material noncompliance relating to the financial statements.                        | None        |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weaknesses identified?   | Yes         |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | None        |

Federal Awards:

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs  | Unqualified |
| 5.  | Internal control over major programs:   |             |
| a.  | Material weaknesses identified?   | None        |
| b.  | Reportable conditions identified that are not considered to be material weaknesses?   | Yes         |
| 6.  | Any audit finding reported as required by Section __.510(a) of Circular A-133?  | Yes         |
| 7.  | Federal programs identified as major programs:  |             |
| a.  | Cluster: Child Nutrition<br>CFDA #10.553<br>CFDA #10.555<br>CFDA #10.559  |             |
| b.  | CFDA #84.010, Title I Grants to Local Educational Agencies  |             |
| c.  | CFDA #84.364, Literacy Through School Libraries   |             |
| d.  | CFDA #84.357, Reading First State Grant   |             |
| e.  | Cluster: Special Education<br>CFDA #84.027<br>CFDA #84.173  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | Yes         |

NOXUBEE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Section 2: Findings Relating to the Financial Statements

06-1 Condition

Material weakness.

During our audit of the general activity and club funds receipts and disbursements for one (1) month, we found the following internal control weaknesses.

- A. Documentation was not available for two (2) disbursement transactions included in our test of the Vo-tech student club.
- B. The Student Vocation and High School Club cash accounts were not recorded in the district's accounting records.

Cause

Internal administrative control procedures has not been implemented to ensure the safe guard of activities of student club funds.

Effect

Weakness in administrative control procedures over student club funds.

Criteria

State of Mississippi financial Accounting Manual for Mississippi Public School Districts "Section F" Activity Funds.

Recommendation

The district should implement policies and procedures to correct the weaknesses stated above. Guidance can be found in the *Financial Accounting Manual for Mississippi Public School Districts*.

Section 3: Federal Award Findings and Questioned Costs

06-2 Condition

DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster; CFDA #10.553, CFDA #10.555 & CFDA # 10.559

Reportable condition

Two (2) monthly claims for reimbursement were not prepared and submitted by their due dates

NOXUBEE COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2006

Cause

Due care was not exercised to ensure that claims for reimbursement were prepared and submitted timely.

Effect

Claims for reimbursement were not filed timely.

Criteria

OMB Common Rule Section 41: Financial Reporting

Recommendation

All monthly claims for reimbursements are due by the 10th day of each month. Due care should be exercised to ensure compliance with this reporting requirement.

06-3 Condition

DEPARTMENT OF AGRICULTURE

Child Nutrition Cluster; CFDA #10.553, CFDA #10.555 & CFDA # 10.559

Reportable condition

Program income from the elementary school was not deposited on a daily basis, but were made on a weekly basis.

Cause

Internal administrative control procedures has not been implemented to ensure that program income is deposited in a timely manner.

Effect

Weakness in internal control over program income.

OMB Common Rule Section 20:Standards for financial management systems, Part b (3), states that "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes".

Recommendation

All program income collected should be deposited on a daily basis to safeguard the district's assets against possible loss.

## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_\_\_315(c) of OMB Circular A-133, the Noxubee County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2006:



Kevin Jones, Ed. D.  
Superintendent of Education

# Noxubee County School District

P.O. Box 540  
Macon, Mississippi 39341  
Phone: (662) 726-45427 or 726-4583  
www.noxcnty.k12.ms.us

Earl Stewart, Chairperson  
Jeanette Bowens, Vice Chairperson  
Essie Spencer, Secretary  
Albert Williams, Board Member  
Hazel Johnson, Board Member

Joann Grassaree  
Secretary

## RESPONSES TO SCHEDULE OF FINDINGS AND QUESTIONED COST For the Year Ended June 30, 2006 May 18, 2007

### Section 2: Findings relating to the Financial Statements

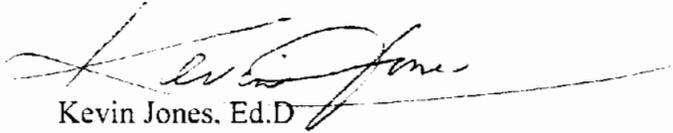
#### Finding

#### Corrective Action Plan Details

- 06-01
- a. Contact Person Responsible: Terry L. Stennis  
Corrective Action Planned:  
The District will implement policies and procedures to correct the weaknesses with regards to our General Activity and Club funds in a manner consistent with the requirements of the *Financial Accounting Manual for Mississippi Public School Districts*.
  - b. Anticipated Completion Date: By the end of the 2007 school year.
- 06-02
- a. Contact Person Responsible: Terry L. Stennis
  - b. Corrective Action Planned  
The District will implement policies and procedures that will ensure that all monthly claims for reimbursement are submitted by the 10<sup>th</sup> day of each month in a manner consistent with the requirement of the Child Nutrition Program guidelines and the *Financial Accounting Manual for Mississippi Public School Districts*.
  - c. Anticipated Completion Date: By the end of the 2007 school year.
- 06-03
- a. Contact Person Responsible: Terry L. Stennis
  - b. Corrective Action Planned  
The District will implement policies and procedures that will ensure that income collected be deposited on a daily basis in a manner consistent with the requirements of the *Financial Accounting Manual for Mississippi Public School Districts*.

c. Anticipated Completion Date: By the end of the 2007 school year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kevin Jones", written in black ink. The signature is fluid and extends across the width of the text block below it.

Kevin Jones, Ed.D  
Superintendent of Education

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section .315(b) of OMB Circular A-133, the Noxubee County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003:

<u>Finding</u>	<u>Status</u>
05-1	Corrective action was taken
05-2	Corrective action was partially taken