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Audited Financial Statements  
June 30, 2006

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

FINANCIAL AUDIT REPORT

**Rankin County School District  
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INDEPENDENT AUDITOR'S REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND  
SUPPLEMENTARY INFORMATION**

Superintendent and School Board  
Rankin County School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 5, 2006 on my consideration of the Rankin County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

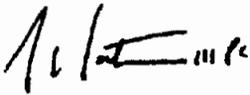
The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

**AICPA & MSCPA**

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of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, P.C.  
December 5, 2006

Certified Public Accountant

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Rankin County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

Rankin County School District is the third largest school district in the State of Mississippi, serving grades kindergarten through twelve with a student enrollment of approximately 17,500. The district consists of twenty-five schools in its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Over the last five years, the district's enrollment has increased approximately 2,000 students.

#### **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$12,423,488, which represents a 17% increase from fiscal year 2005. This increase is due primarily to construction of buildings relating to the 2001 bond issue and 2004 note issue.
- General revenues account for \$105,062,982, or 82% of all revenues. This amount was more amount-wise than the general revenues of \$98,476,056 for the year 2005, which were 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$22,863,673 or 18% of total revenues compared with \$18,373,613 in 2005.
- The District had \$115,503,167 in expenses, compared with \$116,662,297 in expenses for the prior year; \$22,863,673 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$105,062,982 were adequate to provide for these programs.
- Among major funds, the General Fund had \$97,984,350 in revenues and \$94,410,021 in expenditures. In 2005 the General Fund had \$87,047,072 in revenues and \$85,871,618 in expenditures. The General Fund's fund balance increased \$3,153,197 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$11,665,331 due primarily to construction of buildings relating to the 2001 bond issue and 2004 note issue.
- Long-term debt decreased by \$5,768,017. This decrease is due to the fact that annual payments were made to decrease existing debt as well as the fact that no new debt was issued during fiscal year 2006.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 19 and 20 of this report.

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

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

funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 28, respectively.

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

The basic governmental fund financial statements can be found on page 22 and 26 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 29.

**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 31 - 47 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 49 - 52 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for Governmental Funds can be found on page 54 and 55 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$85,781,095 as of June 30, 2006.

By far the largest portion of the District's net assets (64%) reflects its investment in capital

assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	2006	2005	Percentage Change
<b>Assets</b>			
Current assets	\$ 33,911,868	40,547,903	-16%
Capital assets, net	147,152,095	135,486,764	9%
<b>Total assets</b>	<b>181,063,963</b>	<b>176,034,667</b>	<b>3%</b>
<b>Liabilities</b>			
Current liabilities	2,425,660	4,036,490	-40%
Long-term liabilities	92,857,208	98,625,225	-6%
<b>Total liabilities</b>	<b>95,282,868</b>	<b>102,661,715</b>	<b>-7%</b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	54,945,774	37,473,504	47%
Restricted	16,709,000	23,523,456	-29%
Unrestricted	14,126,321	12,375,992	14%
<b>Total Net Assets</b>	<b>\$ 85,781,095</b>	<b>73,372,952</b>	<b>17%</b>

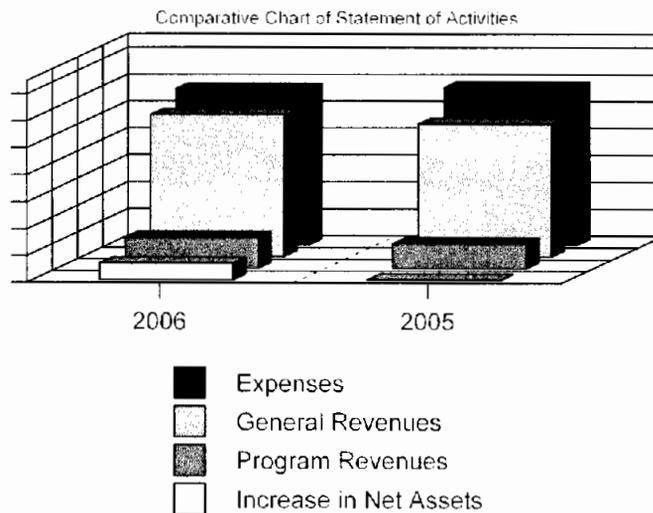
The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- The addition of \$16,074,496 in capital assets primarily from construction of new or renovated school buildings.
- The repayment of \$5,806,939 in debt, this amount excludes compensated absences.
- The net reduction of \$5,122,026 in fund balances of governmental funds primarily from the expending of capital project resources during fiscal year 2006.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$127,926,655. The total cost of all programs and services was \$115,503,167.

The following page shows a table that presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

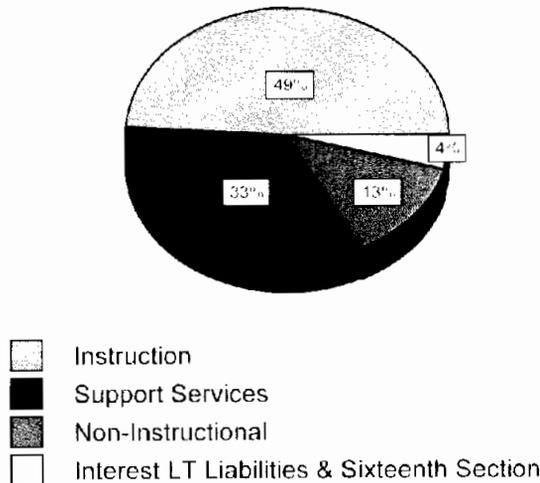
	2006	2005	Percentage Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for services	\$ 11,962,715	11,447,794	4%
Operating Grants and Contributions	8,124,910	3,986,930	104%
Capital Grants and Contributions	2,776,048	2,938,889	-6%
<b>Total Program Revenues</b>	<b>22,863,673</b>	<b>18,373,613</b>	<b>24%</b>
<b>General Revenues</b>			
Property Taxes	41,877,769	39,008,780	7%
Unrestricted Grants and Contributions	60,129,169	54,843,495	10%
Unrestricted Investment Earnings	1,230,620	682,625	80%
Sixteenth Section Sources	1,339,124	3,825,045	-65%
Other	486,300	116,111	319%
<b>Total General Revenues</b>	<b>105,062,982</b>	<b>98,476,056</b>	<b>7%</b>
<b>Total revenues</b>	<b>127,926,655</b>	<b>116,849,669</b>	<b>9%</b>
<b>Expenses</b>			
Instruction	56,754,156	33,177,491	71%
Support services	38,678,565	33,245,238	16%
Non-instructional	15,234,253	44,496,134	-66%
Sixteenth section	190,621	245,293	-22%
Interest on long-term liabilities	4,645,572	5,498,141	-16%
<b>Total expenses</b>	<b>115,503,167</b>	<b>116,662,297</b>	<b>-1%</b>
<b>Increase (Decrease) in net assets</b>	<b>12,423,488</b>	<b>187,372</b>	<b>6530%</b>
Net Assets, July 1	73,372,952	73,186,235	0%
Prior Period Adjustment	(15,345)	(655)	2243%
Net Assets, June 30	\$ 85,781,095	73,372,952	17%



**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.

	2006	2005	2006	2005
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 56,754,156	33,177,491	(44,597,926)	(23,149,745)
Support Services	38,678,565	33,245,238	(35,212,732)	(32,928,347)
Non-Instructional	15,234,253	44,496,134	(7,995,974)	(36,778,160)
Sixteenth Section	190,621	245,293	(187,290)	65,709
Interest on Long-Term Liabilities	4,645,572	5,498,141	(4,645,572)	(5,498,141)
	\$ 115,503,167	116,662,297	(92,639,494)	(98,288,684)

Expenses as per Statement of Activities



- Net cost of governmental activities of \$92,639,494, was financed by general revenue, which is made up of primarily of unrestricted state grants of \$60,027,740 and property taxes of \$41,877,769.
- Investment earnings accounted for \$1,230,620 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 \$32,813,353, a decrease of \$5,122,026, due primarily to a large part of the fund balance in the 2001 Bond Issue Fund and the 2004 Note Issue Fund being expended for construction during the year. In the governmental funds \$25,551,559, or 78% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. This fund balance is also used for cash flow shortages during the year.

The General Fund is the principal operating fund of the District. Its fund balance was \$15,133,046 at June 30, 2006 which reflected an increase of \$3,153,197 from the previous fiscal year. The fund balance of the 2001 Bond Issue Capital Fund was \$328,813, showing a decrease of \$7,242,029 for the fiscal year. The 2001 Bond Issue Debt Fund had a fund balance of \$3,725,133. The Sixteenth Section Principal Fund showed an increase of \$484,214 with a fund balance of \$5,872,008. The fund balance of Other Governmental Funds was \$7,754,353, which showed a decrease of \$2,090,125 for the year ended June 30, 2006.

## **BUDGETARY HIGHLIGHTS**

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

### **General Fund:**

Budget amounts for revenue from local sources were increased mostly for the activity funds of the schools. The original budget underestimated the revenue of the activity funds. Likewise the budgeted amount for the expenditures were increased mostly for the activity funds of the schools. The original budget underestimated the expenditures of the activity funds. Budget amounts for other financing sources increased due to insurance loss recoveries from Hurricane Katrina.

### **Displaced Students Fund:**

This fund was not budgeted originally because Hurricane Katrina did not occur until after the original budget was approved.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and the major special revenue fund is shown on pages 45 and 46 as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$181,210,889, including land, school buildings, improvements other than buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$15,792,796 from the previous year. The primary reason for this increase was the use of the 2001 Bond Issue Fund and the 2004 Note Issue Fund for capital projects. Total

accumulated depreciation as of June 30, 2006 was \$34,058,794 and total depreciation expense for the year was \$4,359,997, resulting in total net capital assets of \$147,152,095.

	Capital Assets, Net of Depreciation		Percentage
	2006	2005	Change
Land	\$ 5,944,538	5,834,538	2%
Construction in progress	707,406	25,864,700	-97%
Buildings	133,429,513	97,080,822	37%
Improvements other than buildings	1,146,507	1,048,884	9%
Mobile equipment	4,218,458	4,288,209	-2%
Furniture and equipment	1,705,673	1,369,611	25%
	\$ 147,152,095	135,486,764	9%

Additional information of the District's capital assets can be found in Note 5 on page 41 of this report.

**Debt Administration.** At June 30, 2006, the District had \$81,730,000 in general obligation bonds outstanding and \$10,476,321 in other long-term debt outstanding, of which \$6,122,320 is due within one year. These amounts exclude compensated absences. The District maintains an A+ bond rating with Standard and Poor's.

			Percentage
	2006	2005	Change
General obligation bonds payable	\$ 81,730,000	86,280,000	-5%
Ten year note payable	9,915,000	10,975,000	-10%
Obligation under capital leases	561,321	758,260	-26%
Compensated absences	650,887	611,965	6%
	\$ 92,857,208	98,625,225	-6%

Additional information of the District's long-term debt can be found in Note 6 on page 42 of this report.

## CURRENT ISSUES AND OTHER INFORMATION

Rankin County School District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting" and the "Certificate Recognizing Achievement in Fixed Asset Management", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. The District's system of financial planning, budgeting, and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2005 is \$900,313,018.

The district's operational tax millage rate for fiscal year 2006 is 39.06 mills and the debt service millage rate is 12.60 mills. The total millage rate of 51.66 mills is one of the lowest when compared to the other districts of the metro Jackson area and other districts of comparable enrollment. The table on the next page compares tax rates of these districts with the Rankin County School District.

On August 9, 2006, the District borrowed \$17,000,000 in three mill, twenty year tax notes to construct two elementary schools in Brandon and Northwest attendance zones.

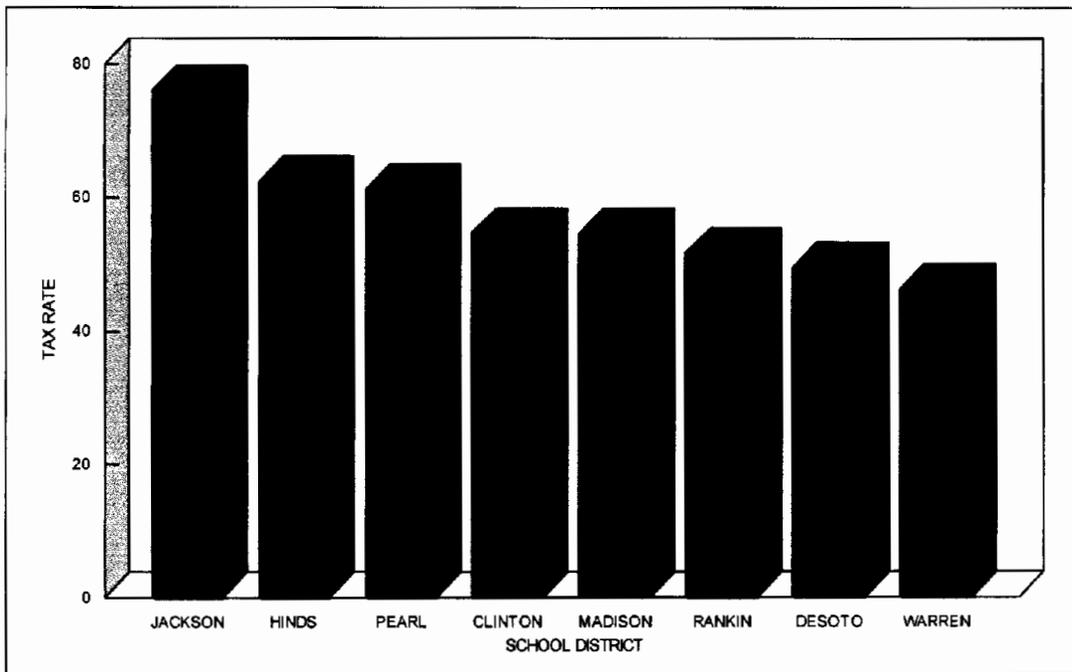
The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2006, the district maintenance fund balance was \$12,839,046, or 13.68% of total revenues.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Rankin County School District, P. O. Box 1359, Brandon, MS 39043.

**RANKIN COUNTY SCHOOL DISTRICT  
COMPARISON OF TAX RATES  
FOR FISCAL YEAR 2006**

<b>SCHOOL DISTRICT</b>	<b>TAX RATE (MILLS)</b>
JACKSON	75.99
HINDS	62.26
PEARL	61.14
CLINTON	54.57
MADISON	54.55
RANKIN	51.66
DESOTO	49.49
WARREN	46.20



FINANCIAL STATEMENTS

**RANKIN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 23,958,450
<i>Investments</i>	3,866,582
<i>Due from other governments</i>	3,898,591
<i>Accrued interest receivable</i>	50,896
<i>Other receivables, net</i>	46,000
<i>Inventories and prepaid items</i>	136,819
<i>Restricted assets</i>	1,954,530
<i>Capital Assets, not being depreciated:</i>	
<i>Land</i>	5,944,538
<i>Construction In Progress</i>	707,406
<i>Capital Assets, net of accumulated depreciation</i>	
<i>Buildings</i>	133,429,513
<i>Improvements other than buildings</i>	1,146,507
<i>Mobile equipment</i>	4,218,458
<i>Furniture and equipment</i>	1,705,673
<b>Total Assets</b>	<u>181,063,963</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	1,042,623
<i>Deferred revenue</i>	55,892
<i>Interest payable on long-term liabilities</i>	1,327,145
Long-term liabilities (due within one year)	
<i>Capital related liabilities</i>	6,122,320
<i>Non-capital related liabilities</i>	32,544
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	86,084,001
<i>Non-capital related liabilities</i>	618,343
<b>Total Liabilities</b>	<u>95,282,868</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	54,945,774
Restricted For:	
School Based Activities	2,101,420
Debt Service	6,672,667
Capital Improvements	1,304,600
Forestry Improvements	443,871
Unemployment Benefits	314,434
Sixteenth Section	
Expendable	60,579
Nonexpendable	5,811,429
Unrestricted	14,126,321
<b>Total Net Assets</b>	<u>\$ 85,781,095</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<i>Instruction</i>	56,754,156	4,721,105	5,166,069	2,269,056	(44,597,926)
<i>Support services</i>	38,678,565	--	2,958,841	506,992	(35,212,732)
<i>Noninstructional services</i>	15,234,253	7,238,279	--	--	(7,995,974)
<i>Sixteenth section</i>	190,621	3,331	--	--	(187,290)
<i>Interest on long-term liabilities</i>	4,645,572	--	--	--	(4,645,572)
<b>Total Governmental Activities</b>	<b>\$ 115,503,167</b>	<b>\$ 11,962,715</b>	<b>\$ 8,124,910</b>	<b>\$ 2,776,048</b>	<b>(92,639,494)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					30,973,197
<i>General purpose levies</i>					10,904,572
<i>Debt purpose levies</i>					
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					60,027,740
<i>Federal</i>					101,429
<i>Unrestricted investment earnings</i>					1,230,620
<i>Sixteenth section sources</i>					1,339,124
<i>Other</i>					486,300
<b>Total general revenues</b>					<b>105,062,982</b>
					<b>12,423,488</b>
<b>Change in Net Assets</b>					<b>73,372,952</b>
<b>Net Assets- Beginning</b>					<b>(15,345)</b>
<b>Prior Period Adjustment</b>					<b>73,357,607</b>
<b>Net Assets - Restated</b>					<b>\$ 85,781,095</b>
<b>Net Assets- Ending</b>					

The accompanying notes are an integral part of this statement.

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

	General Fund	Displaced Students Fund	2001 Bond Issue Capital Fund
<b>ASSETS</b>			
Assets:			
<i>Cash and other deposits</i>	\$ 11,720,157	\$ --	\$ 1,194,233
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	1,695,097	741,975	--
<i>Accrued interest receivable</i>	--	--	--
<i>Other receivables, net</i>	--	--	--
<i>Due from other funds</i>	1,749,098	--	--
<i>Inventories and prepaid items</i>	--	--	--
<b>Total Assets</b>	<b>\$ 15,164,352</b>	<b>\$ 741,975</b>	<b>\$ 1,194,233</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 7,041	\$ --	\$ 865,420
<i>Due to other funds</i>	--	741,975	--
<i>Deferred revenue</i>	24,265	--	--
<b>Total Liabilities</b>	<b>31,306</b>	<b>741,975</b>	<b>865,420</b>
Fund balances:			
Reserved for:			
<i>Prepaid Items</i>	--	--	--
<i>Unemployment benefits</i>	--	--	--
<i>Forestry improvements</i>	--	--	--
<i>Inventory</i>	--	--	--
<i>Debt service</i>	--	--	--
<i>Capital projects</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	15,133,046	--	--
<i>Special revenue fund</i>	--	--	--
<i>Capital projects fund</i>	--	--	328,813
<i>Permanent funds</i>	--	--	--
<b>Total Fund Balances</b>	<b>15,133,046</b>	<b>--</b>	<b>328,813</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,164,352</b>	<b>\$ 741,975</b>	<b>\$ 1,194,233</b>

2001 Bond Issue Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,427,303	\$ 1,954,530	\$ 7,616,757	\$ 25,912,980
—	3,866,582	—	3,866,582
297,830	—	1,008,547	3,743,449
—	50,896	—	50,896
—	—	46,000	46,000
—	—	—	1,749,098
—	—	136,819	136,819
<u>\$ 3,725,133</u>	<u>\$ 5,872,008</u>	<u>\$ 8,808,123</u>	<u>\$ 35,505,824</u>
\$ —	\$ —	\$ 170,162	\$ 1,042,623
—	—	851,981	1,593,956
—	—	31,627	55,892
<u>—</u>	<u>—</u>	<u>1,053,770</u>	<u>2,692,471</u>
—	—	2,450	2,450
—	—	279,919	279,919
—	—	470,287	470,287
—	—	134,369	134,369
3,725,133	—	2,868,003	6,593,136
—	—	563,340	563,340
—	5,811,429	—	5,811,429
—	—	—	15,133,046
—	—	3,018,173	3,018,173
—	—	417,812	746,625
—	60,579	—	60,579
<u>3,725,133</u>	<u>5,872,008</u>	<u>7,754,353</u>	<u>32,813,353</u>
<u>\$ 3,725,133</u>	<u>\$ 5,872,008</u>	<u>\$ 8,808,123</u>	<u>\$ 35,505,824</u>

**RANKIN COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 32,813,353
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	147,152,095
Liabilities due in one year are not reported in the funds	(6,154,864)
Payables for bond principal which are not due in the current period are not reported in the funds.	(76,980,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(284,001)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,327,145)
Payables for notes which are not due in the current period are not reported in the funds.	(8,820,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(618,343)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 85,781,095</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Displaced Students Fund	2001 Bond Issue Capital Fund
<b>Revenue:</b>			
<i>Local sources</i>	\$ 36,037,546	\$ --	\$ 89,840
<i>Intermediate sources</i>	--	--	--
<i>State sources</i>	61,798,999	--	--
<i>Federal sources</i>	147,805	1,427,725	--
<i>Sixteenth section sources</i>	--	--	--
<b>Total revenues</b>	<u>97,984,350</u>	<u>1,427,725</u>	<u>89,840</u>
<b>Expenditures:</b>			
<i>Instruction</i>	59,941,830	1,427,725	--
<i>Support services</i>	32,481,321	--	2,032,819
<i>Noninstructional services</i>	1,220,236	--	--
<i>Sixteenth section</i>	--	--	--
<i>Facilities acquisition and construction</i>	271,007	--	5,296,998
<b>Debt service:</b>			
<i>Principal</i>	472,739	--	--
<i>Interest</i>	22,888	--	--
<i>Other</i>	--	--	2,052
<b>Total expenditures</b>	<u>94,410,021</u>	<u>1,427,725</u>	<u>7,331,869</u>
<b>Excess (deficiency) of revenues (under) expenditures</b>	3,574,329	--	(7,242,029)
<b>Other financing sources (uses):</b>			
<i>Inception of capital leases</i>	275,800	--	--
<i>Insurance loss recoveries</i>	268,561	--	--
<i>Sale of transportation equipment</i>	1,332	--	--
<i>Sale of Land</i>	91,750	--	--
<i>Sale of other property</i>	720	--	--
<i>Transfers In</i>	9,385,063	--	--
<i>Transfers Out</i>	(10,444,358)	--	--
<b>Total other financing sources (uses)</b>	<u>(421,132)</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	3,153,197	--	(7,242,029)
<b>Fund Balances:</b>			
July 1, 2005	11,979,849	--	7,565,477
Prior period adjustment	--	--	5,365
July 1, 2005 as restated	11,979,849	--	7,570,842
Increase (decrease) in reserve for inventory	--	--	--
<b>June 30, 2006</b>	<u>\$ 15,133,046</u>	<u>\$ --</u>	<u>\$ 328,813</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

2001 Bond Issue Debt Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,551,524	\$ 1	\$ 7,865,437	\$ 50,544,348
--	--	7,500	7,500
--	--	1,607,324	63,406,323
--	--	10,689,468	12,264,998
--	633,901	747,476	1,381,377
<u>6,551,524</u>	<u>633,902</u>	<u>20,917,205</u>	<u>127,604,546</u>
--	--	8,586,116	69,955,671
--	--	4,193,530	38,707,670
--	--	5,798,879	7,019,115
--	--	190,621	190,621
--	--	1,115,811	6,683,816
2,800,000	--	2,810,000	6,082,739
3,175,712	--	1,480,920	4,679,520
3,095	--	40,436	45,583
<u>5,978,807</u>	<u>--</u>	<u>24,216,313</u>	<u>133,364,735</u>
572,717	633,902	(3,299,108)	(5,760,189)
--	--	--	275,800
--	--	--	268,561
--	--	--	1,332
--	--	--	91,750
--	--	--	720
--	--	3,509,032	12,894,095
--	(149,688)	(2,300,049)	(12,894,095)
<u>--</u>	<u>(149,688)</u>	<u>1,208,983</u>	<u>638,163</u>
572,717	484,214	(2,090,125)	(5,122,026)
3,152,416	5,387,794	9,832,553	37,918,089
--	--	(23,380)	(18,015)
3,152,416	5,387,794	9,809,173	37,900,074
--	--	35,305	35,305
<u>\$ 3,725,133</u>	<u>\$ 5,872,008</u>	<u>\$ 7,754,353</u>	<u>\$ 32,813,353</u>

**RANKIN COUNTY SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ (5,122,026)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	16,074,496
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,359,997)
The gain or loss on the sale of capital assets is not reported in the funds.	(50,506)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,332)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,550,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	196,939
Repayment of principal is an expenditure in the funds but is not an expense in the SOA.	1,060,000
(Increase) decrease in accrued interest from beginning of period to end of period	79,531
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(38,922)
Increase (Decrease) in Inventory is an adjustment to FB in funds but affects EX in SOA	<u>35,305</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 12,423,488</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Agency Funds</u>
<b>ASSETS</b>	
<i>Cash and other deposits</i>	\$ 4,931,668
<b>Total Assets</b>	<b>\$ 4,931,668</b>
<b>LIABILITIES</b>	
<i>Accounts payable and accrued liabilities</i>	\$ 4,441,411
<i>Due to student clubs</i>	335,115
<i>Due to other funds</i>	155,142
<b>Total Liabilities</b>	<b>\$ 4,931,668</b>

The accompanying notes are an integral part of this statement.

**Notes to the Financial Statements**

For the year ended  
June 30, 2006

## **Rankin County School District**

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

### (1) Summary of Significant Accounting Policies.

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

#### A. Financial Reporting Entity.

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

#### B. Basis of Presentation.

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

#### ***Government Wide Financial Statements:***

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-Wide Statements 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.

## Rankin County School District

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

### ***Fund Financial Statements:***

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

### C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Displaced Students Fund - This fund is used to account for the monies received from grants related to the educational needs of individuals and educational institutions affected by hurricanes in the Gulf of Mexico in the year 2005.

## Rankin County School District

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

2001 Bond Issue Capital Fund- This fund is used to account for the construction and renovations financed by the 2001 Bond Issue.

2001 Bond Issue Debt Fund- This fund is used to account for the accumulation of resources for, and the payment of, the 2001 Bond Issue principal, interest, and related costs.

Sixteenth Section Principal Fund - This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

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

Additionally the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

### 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 result of operations.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers

## Rankin County School District

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

Association and re consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

#### E. Encumbrances.

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

#### F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

#### G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity of greater than twelve months when acquired. Investments are reported at fair value.

#### H. Inventories and Prepaid Items.

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

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

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.

## Rankin County School District

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

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those thresholds.

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

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

#### J. Long-term Liabilities.

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

#### K. Interfund Transactions and Balances.

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

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

## Rankin County School District

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

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

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

- a. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. 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.
- c. Unrestricted net assets- All other net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

#### ***Fund Financial Statements:***

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

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

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

Reserved for unemployment benefits - An account that represents a portion of the

## **Rankin County School District**

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

fund balance that is legally restricted for the payment of unemployment benefits.

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

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

Reserved for 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.

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 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.

Unreserved, undesignated - An account that represents a portion of fund equity that is not legally segregated for a specific future use and is available for current operations.

#### **M. Property Taxes.**

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

#### **N. Mississippi Adequate Education Program Revenues.**

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

#### **O. Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with

## Rankin County School District

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

school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

#### (2) Changes in Accounting Standards.

As required, the Rankin County School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This Statement requires governments to evaluate major events 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. Cash and Cash Equivalents, and Investments.

#### (3) Cash and cash equivalents and investments.

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

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

**Investments.** Section 29-3-113 and 37-59-43 Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government

**Rankin County School District**

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

agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

**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 \$25,912,980 and \$4,931,668 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$23,958,450 and Restricted Assets \$1,954,530. The Restricted Assets represent the investment and cash balance of the Sixteenth Section Principal funds (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$34,358,761.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities tat are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$34,358,761 was exposed to custodial credit risk.

**Investments.**

As of June 30, 2006, the district had the following investments in the investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
US Government Bonds-			
Fed Ntl Mtg. Assoc.	12-27-07	\$ 972,190	AAA
Fed Farm Cr Bks Cons System	04-12-07	689,800	AAA

**Rankin County School District**

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

Investment Type	Maturities (in years)	Fair Value	Rating
Fed Home Ln Bk Cons	04-23-09	1,095,019	AAA
Fed Home Ln Bk Cons	10-29-08	<u>1,109,573</u>	AAA
Total Investments		<u>\$ 3,866,582</u>	

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments \$3,866,582 of underlying securities are held by the investment's counterparty, not in the name of the district.

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

Issuer	Fair Value	% of Total Investments
US Government Bonds-Rating AAA	<u>\$ 3,866,582</u>	100%
	<u>\$ 3,866,582</u>	

(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	\$ 1,749,098	0
Displaced students fund	0	741,975
Agency Funds	0	155,142

## Rankin County School District

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

	<u>Due From</u>	<u>Due To</u>
Other Governmental Funds	0	851,981
Total Funds	<u>\$ 1,749,098</u>	<u>1,749,098</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

### B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 9,385,063	10,444,358
Sixteenth Section Principal Fund	0	149,688
Other Governmental Funds	3,509,032	2,300,049
Total Funds	<u>\$ 12,894,095</u>	<u>12,894,095</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

### (5) Capital Assets.

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

	<u>Balance 7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2006</u>
<b>Non-depreciable capital assets:</b>						
Land	\$ 5,834,538	110,000	0	0	0	5,944,538
Construction in progress	25,864,700	707,406	0	(25,864,700)	0	707,406
Total non-depreciable capital assets	<u>31,699,238</u>	<u>817,406</u>	<u>0</u>	<u>(25,864,700)</u>	<u>0</u>	<u>6,651,944</u>
<b>Depreciable capital assets:</b>						
Buildings	118,473,494	13,645,766	0	25,864,700	(56,050)	157,927,910
Improvements other than bldgs.	1,551,614	99,007	0	0	56,050	1,706,671
Mobile equipment	9,750,900	681,673	105,066	0	0	10,327,507
Furniture and equipment	3,942,847	830,644	176,634	0	0	4,596,857
Total depreciable capital assets	<u>133,718,855</u>	<u>15,257,090</u>	<u>281,700</u>	<u>25,864,700</u>	<u>0</u>	<u>174,558,945</u>
<b>Less accumulated depreciation for:</b>						
Buildings	21,392,672	3,110,637	0	0	(4,912)	24,498,397
Improvements other than bldgs.	502,730	55,192	0	0	2,242	560,164
Mobile equipment	5,462,691	726,578	80,220	0	0	6,109,049

**Rankin County School District**

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

	Balance 7-1-2005	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2006
Furniture and equipment	2,573,236	467,590	149,642	0	0	2,891,184
Total accumulated depreciation	<u>29,931,329</u>	<u>4,359,997</u>	<u>229,862</u>	<u>0</u>	<u>(2,670)</u>	<u>34,058,794</u>
Total depreciable capital assets, net	<u>103,787,526</u>	<u>10,897,093</u>	<u>51,838</u>	<u>25,864,700</u>	<u>2,670</u>	<u>140,500,151</u>
Governmental activities capital assets, net	<u>\$ 135,486,764</u>	<u>11,714,499</u>	<u>51,838</u>	<u>0</u>	<u>2,670</u>	<u>147,152,095</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$2,172,621
Support services	620,749
Non-instructional	<u>1,566,627</u>
<b>Total depreciation expense</b>	<b><u>\$4,359,997</u></b>

The adjustments were made to correctly reflect capital assets at year end. Buildings were reclassified to improvements as well as the related accumulated depreciation.

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

	Remaining Commitment	Required Future Financing
Old Brandon High School - BMS renovation	\$ 360,211	0
Florence High School - softball field	203,129	0
Total	<u>\$ 563,340</u>	<u>0</u>

(6) Long-term Liabilities.

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

	Balance 7-1-2005	Additions	Reductions	Adjustments	Balance 6-30-2006	Amounts due within one year
A. General obligation bonds payable	\$ 86,280,000	0	4,550,000	0	81,730,000	4,750,000
B. Ten year note payable	10,975,000	0	1,060,000	0	9,915,000	1,095,000
C. Obligations under capital leases	758,260	275,800	472,739	0	561,321	277,320
D. Compensated absences payable	611,965	38,922		0	650,887	32,544
Total	<u>\$ 98,625,225</u>	<u>314,722</u>	<u>6,082,739</u>	<u>0</u>	<u>92,857,208</u>	<u>6,154,864</u>

A. General Obligation Bonds Payable.

**Rankin County School District**

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

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 1998	Varies	06-01-98	02-01-15	\$ 33,045,000	20,415,000
General obligation bonds, Series 2002	Varies	03-06-02	10-01-20	<u>69,350,000</u>	<u>61,315,000</u>
<b>Total</b>				<b><u>\$ 102,395,000</u></b>	<b><u>81,730,000</u></b>

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	\$ 4,750,000	\$ 4,107,531	\$ 8,857,531
2008	4,950,000	3,883,081	8,833,081
2009	5,145,000	3,641,506	8,786,506
2010	5,515,000	3,380,631	8,895,631
2011	5,710,000	3,095,594	8,805,594
2012-2016	30,495,000	10,530,031	41,025,031
2017-2020	<u>25,165,000</u>	<u>137,375</u>	<u>25,302,375</u>
<b>Total</b>	<b>\$81,730,000</b>	<b>\$28,775,749</b>	<b>\$110,505,749</b>

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 9.08% of property assessments as of October 31, 2005. This debt will be retired from the Bond Issue Retirement funds.

**B. Three mill ten year 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>
2004 Three Mill Note	3.13%	2/20/04	03/1/14	\$12,000,000	\$9,915,000

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

**Rankin County School District**

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$1,095,000	\$ 296,320	\$ 1,391,320
2008	1,135,000	264,239	1,399,239
2009	1,175,000	229,589	1,404,589
2010	1,215,000	193,739	1,408,739
2011	1,255,000	156,689	1,411,689
2012-2016	<u>4,040,000</u>	<u>214,766</u>	<u>4,254,766</u>
Total	\$9,915,000	\$1,355,342	\$11,270,342

This debt will be retired from the 2004 Three Mil 10 Year Debt Service Fund.

C. Obligations under Capital Leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of computer products.

The various options available to the lessee for this lease are as follows:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 277,320	\$22,317	\$299,637
2008	188,094	22,359	210,453
2009	<u>95,907</u>	<u>11,596</u>	<u>107,503</u>
Total	\$561,321	\$56,272	\$617,593

This debt will be retired from the district maintenance fund.

D. Compensated Absences.

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension

## Rankin County School District

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

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 rate for fiscal year ended June 30, 2006 was 10.75% of the 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 \$7,323,003, \$6,046,965, and \$5,497,056, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 4.

Operating Leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators

Lease expenditures for the year ended June 30, 2006, amounted to \$246,108. Future lease payments for these leases are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2007	\$221,611
2008	132,956
2009	<u>47,353</u>
Total	\$401,920

(9) 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.

## Rankin County School District

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

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2007	\$ 716,688
2008	712,066
2009	697,266
2010	692,072
2011	658,930
2012 - 2016	3,069,805
2017 - 2021	3,068,625
2022 - 2026	3,064,611
2027 - 2031	2,575,004
Thereafter	2,800,131
Total	<u>\$ 18,055,198</u>

(10) Subsequent Events.

On August 9, 2006 the Rankin School District incurred in long term debt obligations, general obligation limited-tax notes, series 2006 in the amount of \$17,000,000. The Series 2006 will bear interest payable on August and February, and will mature in the years 2007 through 2026.

(11) 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 Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each

**Rankin County School District**

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

member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(12) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. A restatement of capital assets (\$2,670) was netted against adjustments of \$18,015 which are explained below.	\$ 15,345
Total	\$ <u>15,345</u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
Bond Issue Capital Fund	To eliminate payable in a previous year.	\$ 5,365
Other Governmental Funds	To eliminate a receivable recorded in the prior year.	(23,380)
	Total	\$ <u>(18,015)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

**Exhibit 1**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 34,803,227	35,428,377	36,037,546	625,150	609,169
State sources	60,971,913	60,971,913	61,798,999	0	827,086
Federal sources	211,884	211,884	147,805	0	(64,079)
<b>Total Revenues</b>	<b>95,987,024</b>	<b>96,612,174</b>	<b>97,984,350</b>	<b>625,150</b>	<b>1,372,176</b>
<b>Expenditures:</b>					
Instruction	61,062,042	61,882,631	59,941,830	(820,589)	1,940,801
Support services	32,170,388	31,928,683	32,481,321	241,705	(552,638)
Noninstructional services	1,378,326	1,378,326	1,220,236	0	158,090
Facilities acquisition and construction	0	431,327	271,007	(431,327)	160,320
Debt Service					
Principal	569,928	569,928	472,739	0	97,189
Interest	0	0	22,888	0	(22,888)
<b>Total Expenditures</b>	<b>95,180,684</b>	<b>96,190,895</b>	<b>94,410,021</b>	<b>(1,010,211)</b>	<b>1,780,874</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>806,340</b>	<b>421,279</b>	<b>3,574,329</b>	<b>(385,061)</b>	<b>3,153,050</b>
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Leases	350,000	350,000	275,800	0	(74,200)
Insurance Loss Recoveries	25,000	265,000	268,561	240,000	3,561
Sale of Transportation Equipment	10,000	10,000	1,332	0	(8,668)
Sale of Land	0	0	91,750	0	91,750
Sale of Other Property	4,000	4,000	720	0	(3,280)
Transfers In	8,916,816	8,931,816	9,385,063	15,000	453,247
Transfers Out	(10,306,599)	(10,321,599)	(10,444,358)	(15,000)	(122,759)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,000,783)</b>	<b>(760,783)</b>	<b>(421,132)</b>	<b>240,000</b>	<b>339,651</b>
<b>Net Change in Fund Balances</b>	<b>(194,443)</b>	<b>(339,504)</b>	<b>3,153,197</b>	<b>(145,061)</b>	<b>3,492,701</b>
<b>Fund Balances:</b>					
July 1, 2005			11,979,849	0	11,979,849
Prior period adjustments (Note )			0		
July 1, 2005, as restated	0	0	11,979,849	0	11,979,849
Increase (Decrease) in reserve for inventory	0	0	0	0	0
June 30, 2006	\$ (194,443)	(339,504)	15,133,046	(145,061)	15,472,550

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

**RANKIN COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Displaced Students  
 For the Year Ended June 30, 2006

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 0	1,427,725	1,427,725	1,427,725	0
Total Revenues	0	1,427,725	1,427,725	1,427,725	0
Expenditures:					
Instruction	0	1,427,725	1,427,725	(1,427,725)	0
Total Expenditures	0	1,427,725	1,427,725	(1,427,725)	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0	0
Other Financing Sources (Uses):					
Transfers in				0	0
Transfers out				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2005	0	0	0	0	0
Prior period adjustments (Note )					
July 1, 2005, as restated	0	0	0	0	0
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2006	\$ 0	0	0	0	0

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

NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION

## **Rankin County School District**

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2006

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

**Rankin County School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U. S. DEPARTMENT OF AGRICULTURE/</b>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$334,283
Child Nutrition Cluster:		
School Breakfast Program	10.553	273,446
National School Lunch Program	10.555	2,233,864
Total child nutrition cluster		<u>2,507,310</u>
Total passed-through the MDE		<u>2,841,593</u>
<b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>		<u><u>2,841,593</u></u>
 <b>FEDERAL COMMUNICATION COMMISSION</b>		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	28,193
Total Federal Communication Commission		<u>28,193</u>
 <b>U. S. DEPARTMENT OF DEFENSE</b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	463,136
Total Other Federal Assistance		<u>463,136</u>
 <b>U. S. DEPARTMENT OF EDUCATION/</b>		
Passed-through the Mississippi Department of Education:		
Adult Education- State Grant Program	84.002	309,251
Title I Grants to Local Educational Agencies	84.010	1,847,030
Vocation Education - Basic Grant to States	84.048	156,066
Safe and Drug Free Schools and Communities - State Grants	84.186	109,546
Twenty-first century community learning centers	84.287	494,551
State Grants for Innovative Programs	84.298	125,776
Education Technology State Grants	84.318	46,346
Comprehensive School Reform Demonstration	84.332	275,539
Rural Education	84.358	13,500
English Language Acquisition Grants	84.365	51,207
Improving Teacher Quality State Grants	84.367	844,007
Grants for State Assessments and Related Activities	84.369	112,917
Hurricane Education Recovery	84.938	1,595,935
Total		<u>5,981,671</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	2,418,472
Special Education - Preschool Grants	84.173	203,017
Total special education cluster		<u>2,621,489</u>
Total passed-through the MDE		<u>8,603,160</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>		<u><u>8,603,160</u></u>
 <b>U. S. DEPARTMENT OF HOMELAND SECURITY</b>		
Direct Program:		
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	125,225
Total Other Federal Assistance		<u>125,225</u>
 <b>TOTAL FOR ALL FEDERAL AWARDS</b>		 <u><u>\$12,061,307</u></u>

Notes to Schedule

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

**Rankin County School District**  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2006

Expenditures	Total	Instruction and Other Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 90,595,397	71,055,538	2,083,559	7,103,227	10,353,073
Other	42,769,338	10,257,003	629,613	166,841	31,715,881
<b>Total</b>	<b>\$ 133,364,735</b>	<b>81,312,541</b>	<b>2,713,172</b>	<b>7,270,068</b>	<b>42,068,954</b>
Total number of students *	16,784				
Cost per student	\$ 7,946	4,845	162	433	2,506

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

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

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

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

includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2006, and have issued my report thereon dated December 5, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



J.E. Fortenberry, III, PC  
December 5, 2006

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
**Certified Public Accountant**

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

Superintendent and School Board  
Rankin County School District

Compliance

I have audited the compliance of the Rankin County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

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

reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



J.E. Fortenberry, III, PC  
December 5, 2006

Certified Public Accountant

**J.E. FORTENBERRY, III, PC**  
Certified Public Accountant

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

Superintendent and School Board  
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2006, and have issued our report thereon dated December 5, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$25,881.26 of classroom supply funds carried over from previous years.

The results of those procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

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



J.E. Fortenberry, III, PC  
December 5, 2006

Certified Public Accountant

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

**Rankin County School District**

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

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA # 10.553  
CFDA # 10.555
  - b. Special Education Cluster:  
CFDA # 84.027  
CFDA # 84.173
  - c. Title I Grants to Local Educational Agencies:  
CFDA # 84.010
  - d. Improving Teacher Quality - State Grants  
CFDA # 84.367
  - e. Hurricane Education Recovery  
CFDA # 84.938

- f. 21<sup>st</sup> Century Learning Centers  
CFDA # 84.287
  - g. Adult Education - State Grants  
CFDA # 84.002
  - h. Reserve Officers Training Corps  
CFDA 12.xxx
8. The dollar threshold used to distinguish between Type A and Type B programs: \$360,993.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

