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Senatobia Municipal School District

Audited Financial Statements
June 30, 2006



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

FINANCIAL AUDIT REPORT

**Senatobia Municipal School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
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INFORMATION 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
Senatobia Municipal School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2006, which collectively comprise the Senatobia Municipal School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Senatobia Municipal School District's management. My responsibility is to express opinions 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Senatobia Municipal 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 September 19, 2006 on my consideration of the Senatobia Municipal 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 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

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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 an opinion on the financial statements that collectively comprise the Senatobia Municipal 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

J.E. Fortenberry, III, PC
September 19, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

The discussion and analysis of the Senatobia Municipal 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.

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,642,873, which represents a 27% increase from fiscal year 2005. This increase is primarily a result of the district setting aside a portion of projected revenue for the fiscal year in case of a decrease in state funding. The increase is also a result of conservative budgeting during the fiscal year in order to increase fund equity in preparation for the construction of new school facilities in the future.
- General revenues accounted for \$10,626,098 in revenue, or 81% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,425,985, or 19% of total revenues.
- The District had \$11,409,210 in expenses; only \$2,425,985 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,626,098 were adequate to provide for these programs.
- Among major funds, the General Fund had \$10,145,305 in revenues and \$8,913,418 in expenditures. The General Fund's fund balance increased \$1,250,836 from the prior year. This increase is primarily a result of the district setting aside a portion of projected revenue for the fiscal year in case of a decrease in state funding. The increase is also a result of conservative budgeting during the fiscal year in order to increase fund equity in preparation for the construction of new school facilities in the future.
- Capital assets, net of accumulated depreciation, increased by \$64,905.

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

- Long-term debt increased by \$7,824,531. During the fiscal year, the district issued \$8,300,000 in general obligation bonds and the proceeds will be used for the renovation and construction of school facilities.

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 are comprised of 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 services and interest and other expenses on long-term liabilities.

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

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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.

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.

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.

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.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major Special Revenue fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and is provided in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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 \$7,746,574 as of June 30, 2006.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$2,751,252 of the District's net assets (36%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases), 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. \$1,803,390 of the District's net assets (23%) reflects its restricted net assets. The restricted net assets are expendable for school based activities, debt service, capital improvements and unemployment benefits. \$3,191,932 of the District's net assets (41%) reflects its unrestricted net assets.

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 comparative data for the fiscal year ended June 30, 2005.

	<u>2006</u>	<u>2005</u>	<u>Percentage Change</u>
Assets			
Current assets	\$ 13,499,214	4,031,390	235%
Other assets	48,152	48,835	-1%
Capital assets, net	<u>5,399,960</u>	<u>5,335,055</u>	1%
Total assets	18,947,326	9,415,280	101%
Liabilities			
Current liabilities	295,025	230,383	28%
Long-term liabilities	<u>10,905,727</u>	<u>3,081,196</u>	254%
Total liabilities	11,200,752	3,311,579	238%
Net Assets:			
Invested in capital assets, net of related debt	2,751,252	2,364,955	16%
Restricted	1,803,390	1,808,119	-0%
Unrestricted	<u>3,191,932</u>	<u>1,930,627</u>	65%
Total Net Assets	\$ 7,746,574	6,103,701	27%

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

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

- Current assets increased from the previous fiscal year due primarily to proceeds received from the issuance of general obligation bonds during the fiscal year. The proceeds will be used for future renovation and construction of school facilities.
- Long-term debt outstanding increased from the previous fiscal year due primarily to the issuance of the general obligation bonds during the fiscal year.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the reduction of long-term debt associated with the capital assets.
- Unrestricted net assets increased from the previous fiscal year due primarily to the district setting aside a portion of projected revenue for the fiscal year in case of a decrease in state funding. The increase is also a result of conservative budgeting during the fiscal year in order to increase fund equity in preparation for the construction of new school facilities in the future.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were \$13,052,083. The total cost of all programs and services was \$11,409,210. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005.

	2006	2005	Percentage Change
Revenues			
<u>Program Revenues</u>			
Charges for services	\$ 487,974	551,858	-12%
Operating Grants and Contributions	<u>1,938,011</u>	<u>1,621,691</u>	20%
Total Program Revenues	2,425,985	2,173,549	12%
<u>General Revenues</u>			
Property Taxes	2,469,189	2,339,016	6%
Unrestricted Grants and Contributions	7,833,669	6,993,357	12%
Unrestricted Investment Earnings	188,962	76,244	148%
Other	<u>134,278</u>	<u>130,814</u>	3%
Total General Revenues	10,626,098	9,539,431	11%
Total revenues	<u>13,052,083</u>	<u>11,712,980</u>	11%
Expenses			
Instruction	6,895,725	6,362,459	8%
Support services	3,732,788	3,368,359	11%

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

Non-instructional	610,668	569,898	7%
Interest on long-term liabilities	<u>170,029</u>	<u>182,077</u>	-7%
Total expenses	<u>11,409,210</u>	<u>10,482,793</u>	9%
Increase (Decrease) in net assets	<u>1,642,873</u>	<u>1,230,187</u>	34%
Net Assets, July 1	6,103,701	4,873,668	25%
Prior Period Adjustment	<u>0</u>	<u>(154)</u>	
Net Assets, June 30	<u>\$ 7,746,574</u>	<u>6,103,701</u>	27%

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions, specifically an increase in Mississippi Adequate Education Program Funds.
- Instruction and support services expenses increased from the previous fiscal year due primarily to an 8% increase in teacher salaries.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2006 and comparative data for the fiscal year ended June 30, 2005, the cost of four major District functional activities: instruction, support services, non-instructional services and interest and other expenses 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	\$ 6,895,725	6,362,459	(5,720,767)	(5,305,058)
Support Services	3,732,788	3,368,359	(3,043,735)	(2,810,781)
Non-Instructional	610,668	569,898	(48,694)	(11,328)
Interest on Long-Term Liabilities	<u>170,029</u>	<u>182,077</u>	<u>(170,029)</u>	<u>(182,077)</u>
	<u>\$ 11,409,210</u>	<u>10,482,793</u>	<u>(8,983,225)</u>	<u>(8,309,244)</u>

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

- The net cost of governmental activities for fiscal year 2006 in the amount of \$8,983,225 was financed by general revenue, which is made up of primarily property taxes of \$2,469,189 and state revenue of \$7,794,141.
- Investment earnings accounted for \$188,962 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 fiscal year June 30, 2006, its governmental funds reported a combined fund balance of \$13,313,791. The net change in fund balance for the fiscal year was an increase of \$9,426,570 due primarily to the increase in the fund balance of the Building Project Fund due to the issuance of general obligation bonds in the amount of \$8,300,000 and the increase in the General Fund due to conservative budgeting during the fiscal year and the setting aside of revenue in case of a decrease in state funding. \$5,045,348, or 38%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The portion of the fund balance reported in the Capital Project Funds will be used for the renovation and construction of school facilities. The remaining fund balance of \$8,268,443, or 62%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, prepaid items, unemployment benefits, capital project purposes and debt service purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$1,250,836. This increase is primarily a result of the district setting aside a portion of projected revenue for the fiscal year in case of a decrease in state funding. The increase is also a result of conservative budgeting during the fiscal year in order to increase fund equity in preparation for the construction of new school facilities in the future. The net change in fund balance for the Capital Project Fund for the fiscal year was an increase of \$58,847 due to interest earned during the fiscal year. The net change in fund balance for the Building Project Fund for the fiscal year was an increase of \$8,156,392 due to the proceeds received from the issuance of general obligation bonds during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$39,505.

Senatobia Municipal School District
Management's Discussion and Analysis
For the Year Ended June 30, 2006

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Significant budget revisions during the fiscal year are as follows:

- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Maintenance expenditures and fuel costs did not increase as much as was expected per the original budget.
- Budgeted amounts for facilities acquisition and construction expenditures in the General Fund were decreased during the fiscal year. The original budget included expenditures related to the purchase of land and construction that did not occur during the fiscal year.
- Budgeted amounts for debt service principal expenditures in the General Fund were decreased during the fiscal year. The original budget included debt service payments to pay off a debt earlier; however, the debt was not paid off during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District's total capital assets, before depreciation, were \$8,621,448, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$259,343 from the previous year. During the fiscal year, the District began preparation for the construction of new school facilities and purchased a school bus and several items of furniture and equipment. Total depreciation expense for the year was \$201,202. Total accumulated depreciation as of June 30, 2006 was \$3,221,488, resulting in total net assets of \$5,399,960.

	Capital Assets, Net of Depreciation		Percentage Change
	2006	2005	
Land	\$ 315,424	315,424	0.0%
Constuction in progress	143,920		
Buildings	3,875,118	3,983,228	-2.7%
Buildings improvements	111,679	116,997	-4.5%
Improvements other than buildings	228,531	239,632	-4.6%
Mobile equipment	300,200	287,158	4.5%
Furniture and equipment	71,518	28,944	147.1%
Leased property under capital lease	353,570	363,672	-2.8%
	<u>\$5,399,960</u>	<u>5,335,055</u>	1.2%

Senatobia Municipal School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2006

Debt Administration. At June 30, 2006, the District had \$10,905,727 in general obligation bonds and other long-term debt outstanding, of which \$495,000 is due within one year. During the fiscal year, the District issued general obligation bonds in the amount of \$8,300,000 and the proceeds will be used for future renovation and construction of school facilities. The District made principal payments in the amount of \$465,000 on existing long-term debt during the fiscal year.

	Long Term Liabilities		Percentage
	2006	2005	Change
General obligation bonds payable	\$ 10,615,000	2,595,000	309%
Three mill notes payable	0	155,000	-100%
Obligation under capital leases	190,100	220,100	-14%
Compensated absences payable	100,627	111,096	-9%
	<u>\$ 10,905,727</u>	<u>3,081,196</u>	254%

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage rate decreased from 44.07 mills in fiscal year 2005 to 43.07 mills in fiscal year 2006. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly from the previous fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Senatobia Municipal School District, 104 McKie Street, Senatobia, MS 38668.

FINANCIAL STATEMENTS

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Senatobia Municipal School District
Statement of Net Assets
June 30, 2006

ASSETS

Cash and Cash Equivalents	\$	13,072,824
Due from other governments		410,698
Inventories and prepaid items		15,692
Restricted Assets		48,152
Capital assets, not being depreciated		
Land		315,424
Construction in progress		143,920
Capital assets, net of accumulated depreciation		
Buildings		3,875,118
Buildings improvements		111,679
Improvements other than buildings		228,531
Mobile equipment		300,200
Furniture and equipment		71,518
Leased property under capital lease		353,570

Total Assets**18,947,326****LIABILITIES**

Accounts payable and accrued liabilities		233,575
Interest Payable on Long Term Debt		61,450
Long Term Liabilities (due within one year)		
Capital Related liabilities		495,000
Non-capital liabilities		6,038
Long Term Liabilities (due beyond one year)		
Capital Related liabilities		2,153,708
Non-capital liabilities		8,250,981

Total Liabilities**11,200,752****NET ASSETS**

Invested in capital assets, net of related debt		2,751,252
Restricted Net Assets		
Expendable:		
School Based Activities		186,063
Debt Service		9,843
Capital Improvements		1,582,418
Unemployment Benefits		25,066
Unrestricted		3,191,932

Total Net Assets**7,746,574****Total Liabilities and Net Assets****18,947,326**

Senatobia Municipal School District
 Statement of Activities
 For the Year Ended June 30, 2006

Functions/Programs	Program Revenues				Total	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 6,895,725	\$ 330,062	\$ 844,896	\$ -	\$ (5,720,767)	
Support Services	3,732,788	-	689,053	-	(3,043,735)	
Noninstructional services	610,668	157,912	404,062	-	(48,694)	
Interest and other expenses on long-term liabilities	170,029	-	-	-	(170,029)	
Total Governmental Activities	11,409,210	487,974	1,938,011	-	(8,983,225)	
General Revenues:						
Taxes:						
Property taxes - general purposes					2,074,980	
Property taxes - debt service					394,209	
Unrestricted grants and contributions						
State					7,794,141	
Federal					39,528	
Unrestricted investment earnings					188,962	
Other					134,278	
Total General Revenues					10,628,098	
Change in Net Assets					1,642,873	
Net Assets - Beginning					6,103,701	
Net Assets - Ending					\$ 7,746,574	

**Senatobia Municipal School District
Balance Sheet - Governmental Funds
June 30, 2006**

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Fund	EHA Part B Fund	Capital Project Fund	Building Project Fund		
ASSETS							
Cash and cash equivalents	\$ 3,061,570	\$ 2,726	\$ 55,755	\$ 1,582,418	\$ 8,156,392	\$ 262,115	\$ 13,120,976
Due from other governments	199,168	58,977	65,087	-	-	87,466	410,698
Due from other funds	250,612	-	-	-	-	-	250,612
Inventories and prepaid items	5,332	-	-	-	-	10,360	15,692
Total assets	3,516,682	61,703	120,842	1,582,418	8,156,392	359,941	13,797,978
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	168,104	2,726	55,755	-	-	6,990	233,575
Due to other funds	56,019	58,977	65,087	-	-	70,529	250,612
Total liabilities	224,123	61,703	120,842	-	-	77,519	484,187
Fund balances:							
Reserved for:							
Inventory	-	-	-	-	-	10,360	10,360
Prepaid items	5,332	-	-	-	-	-	5,332
Unemployment benefits	-	-	-	-	-	25,066	25,066
Capital project purposes	-	-	-	-	8,156,392	-	8,156,392
Debt service purposes	-	-	-	-	-	71,293	71,293
Unreserved, undesignated, reported in:							
General fund	3,287,227	-	-	-	-	-	3,287,227
Special revenue funds	-	-	-	-	-	175,703	175,703
Capital project funds	-	-	-	1,582,418	-	-	1,582,418
Total fund balances	3,292,559	-	-	1,582,418	8,156,392	282,422	13,313,791
Total liabilities & fund balances	\$ 3,516,682	\$ 61,703	\$ 120,842	\$ 1,582,418	\$ 8,156,392	\$ 359,941	\$ 13,797,978

The accompanying notes are an integral part of this statement.

Senatobia Municipal School District
Reconciliation of Balance Sheet - Governmental Funds to
Statement of Net Assets
June 30, 2006

	<u>Amounts</u>
Total fund balance - governmental funds	\$ 13,313,791
 Amounts reported for net assets in the Statement of Net Assets (Exhibit A) are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	8,621,448
Less Accumulated Depreciation	<u>(3,221,488)</u>
	5,399,960
 Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long - term liabilities	(10,905,727)
Accrued interest on debt	<u>(61,450)</u>
	(10,967,177)
 Total Net Assets	 <u><u>\$ 7,748,574</u></u>

Senatobia Municipal School District
Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds
For the Year Ended June 30, 2006

	Major Funds						Total Governmental Funds
	General Fund	Title I-A Fund	EHA Part B Fund	Capital Project Fund	Building Project Fund	Other Governmental Funds	
REVENUES							
Local sources	\$ 2,595,269	\$ 104	\$ 454	\$ 58,847	\$ 312	\$ 625,417	\$ 3,280,403
State sources	7,510,507	-	-	-	-	596,393	8,106,900
Federal sources	39,529	425,256	471,206	-	-	728,789	1,664,780
Total revenues	10,145,305	425,360	471,680	58,847	312	1,950,599	13,052,083
EXPENDITURES							
Instruction	5,761,528	234,114	188,240	-	-	584,550	6,768,432
Support services	3,046,936	191,246	271,618	-	-	273,999	3,783,799
Noninstructional services	51,582	-	-	-	-	554,452	606,034
Facilities acquisition and construction	7,298	-	-	-	143,920	-	151,218
Debt Service:							
Principal	30,000	-	-	-	-	435,000	465,000
Interest	15,310	-	-	-	-	132,587	147,897
Other	764	-	-	-	-	2,369	3,133
Total expenditures	8,913,418	425,360	459,858	-	143,920	1,982,957	11,925,513
Excess (deficiency) of revenues over expenditures	1,231,887	-	11,802	58,847	(143,608)	(32,358)	1,128,570
OTHER FINANCING SOURCES (USES)							
Proceeds of general obligation bonds	-	-	-	-	8,300,000	-	8,300,000
Transfers in	71,749	-	-	-	-	-	71,749
Transfers out	(52,800)	-	(11,802)	-	-	(7,147)	(71,749)
Total other financing sources and uses	18,949	-	(11,802)	-	8,300,000	(7,147)	8,300,000
Net change in fund balances	1,250,836	-	-	58,847	8,156,392	(39,505)	9,426,570
Fund balances:							
July 1, 2005	2,041,723	-	-	1,523,571	-	326,999	3,892,293
Increase (decrease) in reserve for inventory	-	-	-	-	-	(5,072)	(5,072)
June 30, 2006	\$ 3,292,559	\$ -	\$ -	\$ 1,582,418	\$ 8,156,392	\$ 282,422	\$ 13,313,791

Senatobia Municipal School District
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to
 Statement of Activities
 For the Year Ended June 30, 2006

	<u>Amounts</u>
Net change in fund balances	\$ 9,426,570
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets. (+)	266,175
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of cap assets over their useful lives in the Statement of Activities. (-)	(201,202)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on the sale of capital assets (-)	(68)
The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (-)	(8,300,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. (+)	465,000
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated Absences Decreases	10,469
Accrued interest on debt Increases	(18,999)
An increase (+) / decrease (-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	(5,072)
Change in net assets of governmental activities	\$ 1,642,873

Senatobia Municipal School District
Statement of Fiduciary Obligations
Agency Funds
June 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 552,797</u>
Total Assets	<u>552,797</u>
LIABILITIES	
Accounts payable and accrued liabilities	534,278
Due to student clubs	<u>18,519</u>
Total Liabilities	<u>\$ 552,797</u>

The accompanying notes are an integral part of this statement.

Senatobia Municipal School District

Notes to the Financial Statements
June 30, 2006

Senatobia Municipal School District
Notes to 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Senatobia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation.

The school district's basic financial statement 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 Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses 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.

Senatobia Municipal School District
Notes to 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 a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title I - A Basic - This fund accounts for the transactions of the Title I Grant. This is a federal grant available to local educational agencies.

EHA, IDEA Part B Fund - This fund accounts for the transactions of the special education grants to states program.

Capital Projects Fund - This fund accounts for the funds transferred from the General Fund and the expenditures associated with the renovation and

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

construction of school facilities.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental and fund financial statements.

I. Capital Assets.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

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

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

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

See Note 5 for details.

J. Long-term liabilities.

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

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.

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.

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

1. Invested in capital assets, net of related debt- Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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 the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards.

As required, the Senatobia Municipal 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.

Senatobia Municipal School District
 Notes to Financial Statements
 For the Year Ended June 30, 2006

(3) Cash and Cash Equivalents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$13,120,976 and \$552,797, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents \$13,072,824 and restricted assets \$48,152. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$14,110,899.

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Governmental funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 250,612	\$ 56,019
Title I - A Basic FYE 2003	0	58,977

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

EHA IDEA Part B Grant	0	65,087
Other Governmental funds	<u>0</u>	<u>70,529</u>
Total Funds	\$250,612	\$250,612

The purpose of the Due From/To other funds balances was to remove negative cash balances from pooled bank accounts. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 71,749	\$52,800
Title I - A Basic FYE 2003	0	0
EHA - IDEA Part B Grant	0	11,802
Other Governmental Funds	<u>0</u>	<u>7,147</u>
Total Funds	\$ 71,749	\$ 71,749

Transfers were made for indirect cost transfers and budgetary allocations. 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 7-01-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2006</u>
Non-depreciable capital assets:						
Land	\$ 315,424					315,424
Construction in progress		143,920				143,920
Total non-depreciable capital assets	<u>315,424</u>	<u>143,920</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>459,344</u>
Depreciable capital assets:						
Buildings	6,116,267					6,116,267
Building Improvements	132,951					132,951
Improvements other than buildings	277,532					277,532
Mobile equipment	838,232	61,205				899,437
Furniture and equipment	176,599	61,050	6,832			230,817
Leased property under capital leases	505,100					505,100
Total depreciable capital assets	<u>8,046,681</u>	<u>122,255</u>	<u>6,832</u>	<u>0</u>	<u>0</u>	<u>8,162,104</u>
Less accumulated depreciation for:						
Buildings	2,133,039	108,110			0	2,241,149
Building Improvements	15,954	5,318				21,272

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

	<u>Balance</u> <u>7-01-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2006</u>
Improvements other than buildings	37,900	11,101				49,001
Mobile equipment	551,074	48,163				599,237
Furniture and equipment	147,655	18,408	6,764			159,299
Leased property under capital leases	141,428	10,102				151,530
Total accumulated depreciation	<u>3,027,050</u>	<u>201,202</u>	<u>6,764</u>	<u>0</u>	<u>0</u>	<u>3,221,488</u>
Total depreciable capital assets, net	<u>5,019,631</u>	<u>(78,947)</u>	<u>68</u>	<u>0</u>	<u>0</u>	<u>4,940,616</u>
Governmental activities capital assets, net	<u>\$ 5,335,055</u>	<u>64,973</u>	<u>68</u>	<u>0</u>	<u>0</u>	<u>5,399,960</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 140,842
Non-Instructional	40,241
Support Services	<u>20,120</u>
Total depreciation expense	<u><u>201,203</u></u>

(6) Long-term liabilities.

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

	<u>Balance</u> <u>7-1-2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2006</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. General obligation bonds payable	2,595,000	8,300,000	280,000		10,615,000	465,000
B. Three mill notes payable	155,000		155,000		0	0
C. Obligations under capital leases	220,100		30,000		190,100	30,000
D. Compensated absences payable	111,096		10,469		100,627	
Total	<u>\$ 3,081,196</u>	<u>8,300,000</u>	<u>475,469</u>	<u>0</u>	<u>10,905,727</u>	<u>495,000</u>

A. General obligations bonds payable.

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
GOB Series 1987	varies	03/87	03/07	\$1,550,000	\$135,000
GOB Series 1998	varies	03/98	03/14	3,500,000	2,180,000

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

GOB Series 2006	varies	03/06	06/26	<u>8,300,000</u>	<u>8,300,000</u>
Total				<u>\$13,350,000</u>	<u>\$10,615,000</u>

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	\$465,000	361,250	826,250
2008	440,000	351,688	791,688
2009	490,000	340,719	830,719
2010	525,000	328,063	853,063
2011	565,000	314,000	879,000
2012-2016	2,755,000	1,315,219	4,070,219
2017-2021	2,475,000	892,000	3,367,000
2022-2026	<u>2,900,000</u>	<u>323,000</u>	<u>3,223,000</u>
Total	<u>\$10,615,000</u>	<u>\$4,225,939</u>	<u>\$14,840,939</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2006, the amount of outstanding bonded indebtedness was equal to 4% of property assessments as of October 1, 2005. This debt will be retired from the Bond Retirement Fund.

B. Three mill notes payable.

Debt currently outstanding is 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>
Note Series 1996	5.4%	10/1/96	10/1/06	\$400,000	\$0
Note Series 1997	4.9%	2/18/97	3/15/06	<u>400,000</u>	<u>0</u>
Total				<u>\$800,000</u>	<u>\$0</u>

This debt will be retired from the Three Mill Note Retirement 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 a football stadium, parking area, and related facilities.

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

At the end of the primary lease period or when the general obligation bonds, Series 1991,

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

issued by the City of Senatobia for the construction of the football facility are paid in full, the lessee shall have the option to purchase the leased property for \$100.

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	30,000	13,270	43,270
2008	35,000	11,200	46,200
2009	40,000	8,750	48,750
2010	40,000	5,950	45,950
2011-2015	<u>45,100</u>	<u>3,150</u>	<u>48,250</u>
Total	<u>\$190,100</u>	<u>\$42,320</u>	<u>\$232,420</u>

The school district uses the straight line method of amortization for the lease payments which is not in accordance with generally accepted accounting principles in the United States of America. However, the difference between the effective interest method and the straight line method is not considered material. 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 employee's 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 plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005, and 2004 were \$708,834, \$605,585, and \$563,016, respectively, which equaled the required contributions for each year.

Senatobia Municipal School District

Notes to Financial Statements

For the Year Ended June 30, 2006

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance 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.

(9) Alternative School Center.

The school district entered into an Alternative School Agreement dated May 13, 1999 creating the Senatobia-Tate County Regional Optional Learning Center. This center was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Senatobia Municipal School District, and the Tate County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Senatobia Municipal School District has been designated as the lead school district for the Senatobia-Tate County Regional Optional Learning Center, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues and Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Senatobia-Tate County Regional Optional Learning Center.

Senatobia Municipal School District
Notes to Financial Statements
For the Year Ended June 30, 2006

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2006

Revenues	
Local sources	
Tuition from other LEA's within the state:	
Senatobia Municipal School District	\$ 117,888
Total tuition from other LEA's within the state	<u>117,888</u>
Total local sources	<u>117,888</u>
State sources	78,592
Total Revenues	<u>196,480</u>
Expenditures	
Salaries	165,744
Employee benefits	19,926
Purchased property services	9,767
Supplies	825
Property	218
Total Expenditures	<u>196,480</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>
Net Change in Fund Balance	<u>0</u>
Fund Balance:	
July 1, 2005	0
June 30, 2006	\$ <u><u>0</u></u>

(10) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated January 1, 1984 creating the Senatobia-Tate County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Senatobia Municipal School District and the Tate County School District.

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

The Tate County School District has been designated as the fiscal agent for the Senatobia-Tate County Regional Vocational Education Center, and the operations of the center are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**Senatobia Municipal School District
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 2,536,458	\$ 2,595,269	\$ 2,595,269	\$ 58,811	\$ -
State sources	7,448,203	7,510,507	7,510,507	62,304	-
Federal sources	15,000	39,529	39,529	24,529	-
Total revenues	9,999,661	10,145,305	10,145,305	145,644	-
EXPENDITURES					
Instruction	5,850,456	5,761,528	5,761,528	88,928	-
Support services	3,346,952	3,046,936	3,046,936	300,016	-
Noninstructional services	46,800	51,582	51,582	(4,782)	-
Facilities acquisition and construction	573,191	7,298	7,298	565,893	-
Debt service:					
Principal	190,500	30,000	30,000	160,500	-
Interest	43,000	15,310	15,310	27,690	-
Other	2,000	764	764	1,236	-
Total expenditures	10,052,899	8,913,418	8,913,418	1,139,481	-
Excess (deficiency) of revenues over expenditures	(53,238)	1,231,887	1,231,887	1,285,125	-
OTHER FINANCING SOURCES (USES)					
Transfers in	69,339	71,749	71,749	2,410	-
Transfers out	(60,321)	(52,800)	(52,800)	7,521	-
Total other financing sources and uses	9,018	18,949	18,949	9,931	-
Net change in fund balances	(44,220)	1,250,836	1,250,836	1,295,056	-
Fund balances:					
July 1, 2005			2,041,723		
June 30, 2006			\$ 3,292,559		

Senatobia Municipal School District
Title I-A Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES					
Local sources	\$ -	\$ 104	\$ 104	\$ 104	\$ -
Federal sources	502,001	425,256	425,256	(76,745)	-
Total revenues	502,001	425,360	425,360	(76,641)	-
EXPENDITURES					
Instruction	255,331	234,114	234,114	21,217	-
Support services	246,670	191,246	191,246	55,424	-
Total expenditures	502,001	425,360	425,360	76,641	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005			-		
June 30, 2006			\$ -		

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

Senatobia Municipal School District
EHA Part B Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ -	\$ 454	\$ 454	\$ 454	\$ -
Federal sources	517,123	471,206	471,206	(45,917)	-
Total revenues	517,123	471,660	471,660	(45,463)	-
EXPENDITURES					
Instruction	236,055	188,240	188,240	47,815	-
Support services	269,266	271,618	271,618	(2,352)	-
Total expenditures	505,321	459,858	459,858	45,463	-
Excess (deficiency) of revenues over expenditures	11,802	11,802	11,802	-	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(11,802)	(11,802)	(11,802)	-	-
Total other financing sources and uses	(11,802)	(11,802)	(11,802)	-	-
Net change in fund balances	-	-	-	-	-
Fund balances:					
July 1, 2005			-		
June 30, 2006			\$ -		

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Senatobia Municipal 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the original budget and the final budget.

(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

Senatobia Municipal 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 <u>Expenditures</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$35,305
Child Nutrition Cluster:		
School Breakfast Program	10.553	82,176
National School Lunch Program	10.555	346,955
Total child nutrition cluster		<u>429,131</u>
Total passed-through the MDE		<u>464,436</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>464,436</u>
 <u>FEDERAL COMMUNICATION COMMISSION</u>		
Administered through the Univeral Service Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.XXX	<u>16,821</u>
 <u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	425,256
Safe and Drug Free Schools and Communities - State Grants	84.186	12,037
Eisenhower professional development state grant	84.281	106,487
State Grants for Innovative Programs	84.298	5,711
State grants for innovative programs	84.298	44,721
Education Technology State Grants	84.318	7,540
Special Education Cluster:		
Special Education - Grants to States	84.027	471,206
Special Education - Preschool Grants	84.173	47,990
Total special education cluster		<u>519,196</u>
Total passed-through the MDE		<u>1,120,948</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,120,948</u>
 TOTAL FOR ALL FEDERAL AWARDS		 <u><u>\$1,602,205</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.

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

Expenditures	Total	Instruction and Other			Other
		Student Instructional Expenditures	General Administration	School Administration	
Salaries and fringe benefits	\$ 8,763,496	7,017,203	414,919	547,416	783,958
Other	3,162,017	888,307	168,060	46,383	2,059,267
Total	\$ 11,925,513	7,905,510	582,979	593,799	2,843,225

Total number of students * 1,823

Cost per student \$ 6,542 4,337 320 326 1,560

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

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

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

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

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

include 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
Senatobia Municipal School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2006, which collectively comprise Senatobia Municipal School District's basic financial statements and have issued my report thereon dated September 19, 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 condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, 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
September 19, 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
Senatobia Municipal School District

Compliance

I have audited the compliance of the Senatobia Municipal 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; 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 Senatobia Municipal 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 Senatobia Municipal 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 our 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 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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
September 19, 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
Senatobia Municipal School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Senatobia Municipal School District as of and for the year ended June 30, 2006, which collectively comprise Senatobia Municipal School District's basic financial statements and have issued my report thereon dated September 19, 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.

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 my procedures 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 \$139.38 classroom supply funds carried over from previous years.

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

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

J.E. Fortenberry, III, PC
September 19, 2006

Certified Public Accountant

AICPA & MSCPA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Senatobia Municipal 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:
 1. Material weaknesses identified? No.
 2. 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. Title I Grants
CFDA# 84.010
 - c. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was:
\$300,000.
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: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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

