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**Shaw School District**  
Audited Financial Statements  
June 30, 2006

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

**Shaw School District  
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**SHAW SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

**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  
Shaw School District

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

In accordance with *Government Auditing Standards*, I have also issued my report dated October 4, 2006 on my consideration of the Shaw School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of 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 considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (8) through (14) and the Budgetary Comparison Schedule and corresponding notes on pages (41) through (45) 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 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 Shaw 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 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  
October 4, 2006

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### **FINANCIAL HIGHLIGHTS**

- Total net assets decreased \$93,887, which represents a 49.51% decrease from fiscal year 2005.
- General revenues account for \$4,585,772 in revenue, or 76% of all revenues. This amount was more (amount-wise) than the general revenues reported for the year 2005, which consisted of \$4,200,736 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,424,335 or 24% of total revenues, as compared with \$1,315,105 or 24%, in 2005.
- The District had \$6,103,994 in expenses; only \$1,424,335 of these expenses were offset by program specific charges for services, grants and contributions. This amount was a decrease from \$5,613,520 in 2005. General revenues of \$4,585,772 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$4,310,639 in revenues and \$4,351,271 in expenditures. In 2005, the General Fund had \$3,993,642 in revenues and \$3,953,509 in expenditures. The General Fund's fund balance increased \$4,958 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$79,805. One major component of this increase was the acquisition of equipment and the building improvements made.
- Long-term debt increased by \$248,427.

### **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 16 -17 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 20 and 24,

respectively.

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

The basic governmental fund financial statements can be found on pages 18 and 22 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 25.

**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 27 - 40 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 42 - 46 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 pages 48 and 49 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 \$95,744 as of June 30, 2006.

The District had a negative balance in the amount invested in capital assets due to the accumulation of debt related to the repairs and maintenance of fully depreciated assets. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

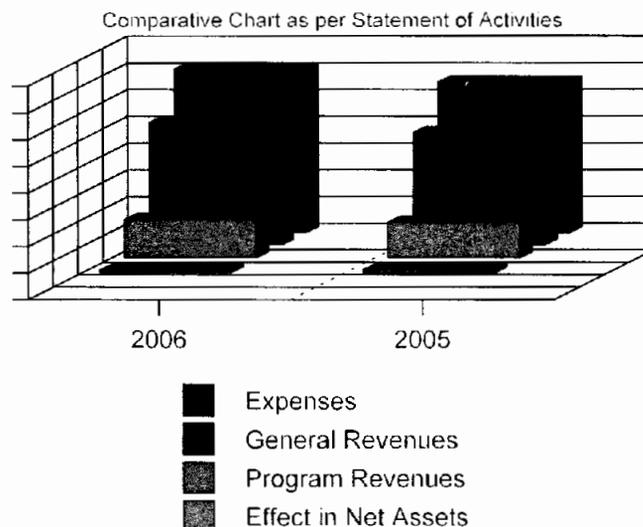
The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, and the depreciation of capital assets. The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2006 and 2005.

|  | 2006             | 2005             | Percentage Change |
|--|------------------|------------------|-------------------|
| <b>Assets</b>                                      |                  |                  |                   |
| Current assets                                     | \$ 783,382       | 829,821          | -6%               |
| Capital assets, net                                | 625,576          | 545,771          | 15%               |
| <b>Total assets</b>                                | <b>1,408,958</b> | <b>1,375,592</b> | <b>2%</b>         |
| <b>Liabilities</b>                                 |                  |                  |                   |
| Current liabilities                                | 97,894           | 219,068          | -55%              |
| Long-term liabilities                              | 1,215,320        | 966,893          | 26%               |
| <b>Total liabilities</b>                           | <b>1,313,214</b> | <b>1,185,961</b> | <b>11%</b>        |
| <b>Net Assets</b>                                  |                  |                  |                   |
| Invested in capital assets,<br>net of related debt | (570,953)        | (396,843)        | 44%               |
| Restricted   | 401,947          | 174,711          | 130%              |
| Unrestricted                                       | 264,750          | 411,763          | -36%              |
| <b>Total Net Assets</b>                            | <b>\$ 95,744</b> | <b>189,631</b>   | <b>-50%</b>       |

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

- The addition of \$79,805 in capital assets, including building improvements and equipment.
- The decrease of \$248,427 in long term liabilities due to the limited tax note addition.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2006 were \$6,010,107. The total cost of all programs and services was \$6,103,994. The following chart presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

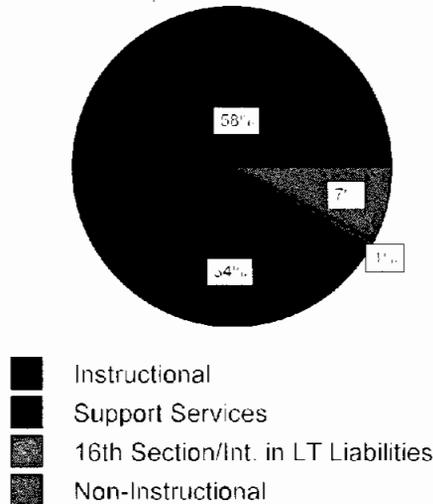


|                                       | 2006             | 2005             | Percentage Change |
|---------------------------------------|------------------|------------------|-------------------|
| <b>Revenues</b>                       |                  |                  |                   |
| <b>Program Revenues</b>               |                  |                  |                   |
| Charges for services                  | \$ 125,109       | 697,393          | -82%              |
| Operating Grants and Contributions    | 1,277,104        | 587,900          | 117%              |
| Capital Grants and Contributions      | 22,122           | 29,812           | -26%              |
| Total Program Revenues                | 1,424,335        | 1,315,105        | 8%                |
| <b>General Revenues</b>               |                  |                  |                   |
| Property Taxes                        | 763,563          | 805,110          | -5%               |
| Unrestricted Grants and Contributions | 3,364,701        | 3,141,060        | 7%                |
| Unrestricted Investment Earnings      | 22,379           | 488              | 4486%             |
| Sixteenth Section Sources             | 170,846          | 134,389          | 27%               |
| Other                                 | 264,283          | 119,689          | 121%              |
| Total General Revenues                | 4,585,772        | 4,200,736        | 9%                |
| <b>Total revenues</b>                 | <b>6,010,107</b> | <b>5,515,841</b> | <b>9%</b>         |
| <b>Expenses</b>                       |                  |                  |                   |
| Instruction                           | 3,540,990        | 3,273,598        | 8%                |
| Support services                      | 2,067,903        | 1,804,466        | 15%               |
| Non-instructional                     | 448,416          | 481,009          | -7%               |
| Interest on long-term liabilities     | 38,417           | 48,474           | -21%              |
| Sixteenth section                     | 8,268            | 5,973            | 38%               |
| <b>Total expenses</b>                 | <b>6,103,994</b> | <b>5,613,520</b> | <b>9%</b>         |
| Increase (Decrease) in net assets     | (93,887)         | (97,679)         | -4%               |
| Net Assets, July 1                    | 189,631          | 328,443          | -42%              |
| Prior Period Adjustment               | -                | (41,133)         |                   |
| Net Assets, June 30                   | \$ 95,744        | 189,631          | -50%              |

**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)<br>Revenue | Net (Expense)<br>Revenue |
| Instruction                       | \$ 3,540,990 | 3,273,598 | (2,724,890)              | (3,060,823)              |
| Support Services                  | 2,067,903    | 1,804,466 | (1,871,253)              | (1,736,401)              |
| Non-Instructional                 | 448,416      | 481,009   | (36,831)                 | 553,256                  |
| Sixteenth Section                 | 8,268        | 5,973     | (8,268)                  | (5,973)                  |
| Interest on Long-Term Liabilities | 38,417       | 48,474    | (38,417)                 | (48,474)                 |
|                                   | \$ 6,103,994 | 5,613,520 | (4,679,659)              | (4,298,415)              |

Chart as per Statement of Activities



- Net cost of governmental activities (\$4,679,659), was financed by general revenue, which is made up of primarily property taxes (\$763,563) and state revenue (\$3,318,939).
- Investment earnings accounted for \$22,379 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 \$703,436 an increase of \$71,752. \$701,326 or 99% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,110 or 1% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$4,958. The fund balance of Other Governmental Funds showed a decrease of \$111,152. In addition to the General Fund Shaw School District has other major funds. The fund balance of the School Food Service Fund showed a decrease of \$31,722. The fund balance of Title I Low Grant Fund and the EHA, Part B, 2000 FY Grant Fund remained the same. The fund balance of the Three Mill Ten-Note Construction Fund showed an increase of \$209,668.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred to reflect the recognition of the actual revenues and expenditures occurring.

Budgeted amounts for revenue from state sources was increased to reflect actual amount of state revenue received. The budgeted amounts for revenues in the Title I Low Grant Fund was decreased to show only the revenue that was requested and actually received. The total allocated amount was not requested.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards are known, budgets were amended to the actual grant award amount.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$2,089,592, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$90,484 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$1,464,016 and total depreciation expense for the year was \$48,961, resulting in total net capital assets of \$625,576.

|                                   | Capital Assets, Net of Depreciation |         | Percentage |
|-----------------------------------|-------------------------------------|---------|------------|
|                                   | 2006                                | 2005    | Change     |
| Buildings                         | \$ 334,346                          | 341,848 | -2%        |
| Building improvements             | 110,071                             | -       | 100%       |
| Improvements other than buildings | 43,183                              | 53,800  | -20%       |
| Mobile equipment                  | 32,934                              | 60,051  | -45%       |
| Furniture and equipment           | 105,042                             | 90,072  | 17%        |
|                                   | \$ 625,576                          | 545,771 | 15%        |

Additional information

of the District's capital assets can be found in Note 5 on page 35 of this report.

**Debt Administration.** At June 30, 2006, the District had no general obligation bonds and \$1,215,320 of other long-term debt outstanding, of which \$103,048 is due within one year.

Additional information of the District's long-term debt can be found in Note 6 on page 36 of this report.

|                                  | 2006         | 2005    | Percentage<br>Change |
|----------------------------------|--------------|---------|----------------------|
| Limited obligation bonds payable | \$ 725,000   | 765,000 | -5%                  |
| Three mill notes payable         | 425,000      | 110,000 | 286%                 |
| Obligations under capital leases | 46,529       | 67,614  | -31%                 |
| Compensated absences             | 18,791       | 24,279  | -23%                 |
|                                  | \$ 1,215,320 | 966,893 | 26%                  |

### **CURRENT ISSUES**

The Shaw 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. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

If you have questions about this report, contact the Superintendent's Office of the Shaw School District, P.O. Box 510, Shaw, MS 38733.

FINANCIAL STATEMENTS

**SHAW SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| <i>Cash and cash equivalents</i>                       | \$ 679,338                 |
| <i>Due from other governments</i>                      | 100,780                    |
| <i>Inventories and prepaid items</i>                   | 2,110                      |
| <i>Restricted assets</i>                               | 1,154                      |
| <i>Capital assets, net of accumulated depreciation</i> |                            |
| <i>Buildings</i>                                       | 334,346                    |
| <i>Building improvements</i>                           | 110,071                    |
| <i>Improvements other than buildings</i>               | 43,183                     |
| <i>Mobile equipment</i>                                | 32,934                     |
| <i>Furniture and equipment</i>                         | 105,042                    |
| <b>Total Assets</b>                                    | <u>1,408,958</u>           |
| <b>Liabilities</b>                                     |                            |
| <i>Deferred revenue</i>                                | 79,946                     |
| <i>Interest payable on long-term liabilities</i>       | 17,948                     |
| <b>Long-term liabilities (due within one year):</b>    |                            |
| <i>Capital related liabilities</i>                     | 102,108                    |
| <i>Non-capital related liabilities</i>                 | 940                        |
| <b>Long-term liabilities (due beyond one year)</b>     |                            |
| <i>Capital related liabilities</i>                     | 1,094,421                  |
| <i>Non-capital related liabilities</i>                 | 17,851                     |
| <b>Total Liabilities</b>                               | <u>1,313,214</u>           |
| <b>NET ASSETS</b>                                      |                            |
| <i>Invested in Capital Assets, Net of Related Debt</i> | (570,953)                  |
| <b>Restricted For:</b>                                 |                            |
| <i>School - based activities</i>                       | 117,528                    |
| <i>Capital improvements</i>                            | 210,594                    |
| <i>Debt service</i>                                    | 59,220                     |
| <i>Unemployment benefits</i>                           | 12,970                     |
| <i>Forestry improvements</i>                           | 481                        |
| <b>Sixteenth section</b>                               |                            |
| <i>Expendable</i>                                      | 19                         |
| <i>Nonexpendable</i>                                   | 1,135                      |
| <i>Unrestricted</i>                                    | 264,750                    |
| <b>Total Net Assets</b>                                | <u>\$ 95,744</u>           |

The accompanying notes are an integral part of this statement.

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

| Functions/Programs                     | Expenses            | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|--|---------------------|-------------------------|--|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| Primary government                     |                     |                         |  |  |  |
| Governmental Activities:               |                     |                         |  |  |  |
| Instruction                            | 3,540,990           | 68,159                  | 725,819                                  | 22,122                                 | (2,724,890)  |
| Support services                       | 2,067,903           | --                      | 196,650                                  | --                                     | (1,871,253)  |
| Noninstructional services              | 448,416             | 56,950                  | 354,635                                  | --                                     | (36,831)   |
| Sixteenth section                      | 8,268               | --                      | --                                       | --                                     | (8,268)  |
| Interest on long-term liabilities      | 38,417              | --                      | --                                       | --                                     | (38,417)   |
| Total Primary Government               | <u>\$ 6,103,994</u> | <u>\$ 125,109</u>       | <u>\$ 1,277,104</u>                      | <u>\$ 22,122</u>                       | <u>(4,679,659)</u>                                       |
| General Revenues:                      |                     |                         |  |  |  |
| Taxes:                                 |                     |                         |  |  |  |
| General purpose levies                 |                     |                         |  |  | 723,149  |
| Debt purpose levies                    |                     |                         |  |  | 40,414   |
| Unrestricted grants and contributions: |                     |                         |  |  |  |
| State                                  |                     |                         |  |  | 3,318,939  |
| Federal                                |                     |                         |  |  | 45,762   |
| Unrestricted investment earnings       |                     |                         |  |  | 22,379   |
| Sixteenth section sources              |                     |                         |  |  | 170,846  |
| Other                                  |                     |                         |  |  | 264,283  |
| Total general revenues                 |                     |                         |  |  | <u>4,585,772</u>   |
| Change in Net Assets                   |                     |                         |  |  | <u>(93,887)</u>  |
| Net Assets - Beginning                 |                     |                         |  |  | 189,631  |
| Net Assets - Ending                    |                     |                         |  |  | <u>\$ 95,744</u>   |

The accompanying notes are an integral part of this statement.

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

|  | General<br>Fund   | School<br>Food<br>Service Fund | Title I<br>Low Grant<br>Fund |
|--|-------------------|--------------------------------|------------------------------|
| <b>ASSETS</b>                              |                   |                                |                              |
| <i>Cash and cash equivalents</i>           | \$ 161,576        | \$ 38,379                      | \$ 23,294                    |
| <i>Due from other governments</i>          | 49,387            | -                              | -                            |
| <i>Due from other funds</i>                | 48,228            | -                              | -                            |
| <i>Inventories and prepaid items</i>       | -                 | 2,110                          | -                            |
| <b>Total Assets</b>                        | <b>\$ 259,191</b> | <b>\$ 40,489</b>               | <b>\$ 23,294</b>             |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |                                |                              |
| Liabilities:                               |                   |                                |                              |
| <i>Due to other funds</i>                  | \$ 1,289          | \$ 40,000                      | \$ -                         |
| <i>Deferred revenue</i>                    | -                 | -                              | 23,294                       |
| <b>Total Liabilities</b>                   | <b>1,289</b>      | <b>40,000</b>                  | <b>23,294</b>                |
| Fund balances:                             |                   |                                |                              |
| Reserved For                               |                   |                                |                              |
| <i>Inventory</i>                           | -                 | 2,110                          | -                            |
| <i>Unemployment</i>                        | -                 | -                              | -                            |
| <i>Forestry</i>                            | -                 | -                              | -                            |
| <i>Permanent funds</i>                     | -                 | -                              | -                            |
| Unreserved, undesignated, reported in:     |                   |                                |                              |
| <i>General fund</i>                        | 257,902           | -                              | -                            |
| <i>Special Revenue funds</i>               | -                 | (1,621)                        | -                            |
| <i>Capital projects funds</i>              | -                 | -                              | -                            |
| <i>Debt service funds</i>                  | -                 | -                              | -                            |
| <i>Permanent funds</i>                     | -                 | -                              | -                            |
| <b>Total Fund Balances</b>                 | <b>257,902</b>    | <b>489</b>                     | <b>-</b>                     |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 259,191</b> | <b>\$ 40,489</b>               | <b>\$ 23,294</b>             |

| <u>EHA Part B<br/>2000 FY<br/>Grant Fund</u> | <u>3 Mill<br/>Ten-Note<br/>Fund Construction</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--|---|---|
| \$ 25,468                                    | \$ 209,668                                       | \$ 222,108                              | \$ 680,493                              |
| -  | -  | 43,164                                  | 92,551                                  |
| -  | -  | 12,350                                  | 60,578                                  |
| -  | -  | -                                       | 2,110                                   |
| <u>\$ 25,468</u>                             | <u>\$ 209,668</u>                                | <u>\$ 277,622</u>                       | <u>\$ 835,732</u>                       |
| <br>   |  |   |   |
| \$ -   | \$ -   | \$ 11,061                               | \$ 52,350                               |
| 25,468                                       | -  | 31,184                                  | 79,946                                  |
| <u>25,468</u>                                | <u>-</u>   | <u>42,245</u>                           | <u>132,296</u>                          |
| <br>   |  |   |   |
| -  | -  | -                                       | 2,110                                   |
| -  | -  | 12,970                                  | 12,970                                  |
| -  | -  | 481                                     | 481                                     |
| -  | -  | 1,135                                   | 1,135                                   |
| -  | -  | -                                       | 257,902                                 |
| -  | -  | 162,915                                 | 161,294                                 |
| -  | 209,668  | 926                                     | 210,594                                 |
| -  | -  | 56,931                                  | 56,931                                  |
| -  | -  | 19                                      | 19                                      |
| -  | 209,668  | 235,377                                 | 703,436                                 |
| <u>\$ 25,468</u>                             | <u>\$ 209,668</u>                                | <u>\$ 277,622</u>                       | <u>\$ 835,732</u>                       |

**SHAW 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   | \$ 703,436       |
| 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.                            | 625,576          |
| Payables for bond principal which are not due in the current period are not reported in the funds.       | (1,070,000)      |
| Payables for capital leases which are not due in the current period are not reported in the funds.       | (24,421)         |
| Payables for bond interest which are not due in the current period are not reported in the funds.        | (17,948)         |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (17,851)         |
| Liabilities due in one year  | <u>(103,048)</u> |
| Net assets of governmental activities - statement of net assets  | <u>\$ 95,744</u> |

The accompanying notes are an integral part of this statement.

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# SHAW SCHOOL DISTRICT

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

|   | General<br>Fund   | School<br>Food<br>Service Fund | Title I<br>Low Grant<br>Fund |
|---|-------------------|--------------------------------|------------------------------|
| <b>Revenue:</b>                                     |                   |                                |                              |
| <i>Local sources</i>                                | \$ 947,238        | \$ 64,361                      | \$ 7                         |
| <i>State sources</i>                                | 3,317,639         | 2,152                          | --                           |
| <i>Federal sources</i>                              | 45,762            | 352,483                        | 416,559                      |
| <i>Sixteenth section sources</i>                    | --                | --                             | --                           |
| <b>Total revenues</b>                               | <u>4,310,639</u>  | <u>418,996</u>                 | <u>416,566</u>               |
| <b>Expenditures:</b>                                |                   |                                |                              |
| Instruction   | 2,749,061         | --                             | 256,204                      |
| Support services                                    | 1,580,373         | 66,655                         | 157,588                      |
| Noninstructional services                           | --                | 382,153                        | 2,774                        |
| Sixteenth section                                   | --                | --                             | --                           |
| Facilities acquisition and construction             | --                | --                             | --                           |
| Debt service:                                       |                   |                                |                              |
| <i>Principal</i>                                    | 19,877            | 1,910                          | --                           |
| <i>Interest</i>                                     | 1,960             | --                             | --                           |
| <b>Total expenditures</b>                           | <u>4,351,271</u>  | <u>450,718</u>                 | <u>416,566</u>               |
| Excess (deficiency) of revenues (over) expenditures | (40,632)          | (31,722)                       | --                           |
| <b>Other financing sources (uses):</b>              |                   |                                |                              |
| Proceeds of loans                                   | --                | --                             | --                           |
| Insurance loss recoveries                           | 28,050            | --                             | --                           |
| Transfers in  | 649,407           | --                             | --                           |
| Transfers out                                       | (631,867)         | --                             | --                           |
| <b>Total other financing sources (uses)</b>         | <u>45,590</u>     | <u>--</u>                      | <u>--</u>                    |
| Net change in fund balance                          | 4,958             | (31,722)                       | --                           |
| <b>Fund Balances:</b>                               |                   |                                |                              |
| July 1, 2005  | 252,944           | 31,517                         | --                           |
| Increase (decrease) in reserve for inventory        | --                | 694                            | --                           |
| <b>June 30, 2006</b>                                | <u>\$ 257,902</u> | <u>\$ 489</u>                  | <u>\$ --</u>                 |

The accompanying notes are an integral part of this statement.

EXHIBIT D

| EHA Part B<br>2000 FY<br>Grant Fund | 3 Mill<br>Ten-Note<br>Fund Construction | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------|---|--------------------------------|--------------------------------|
| \$ --                               | \$ 1,433                                | \$ 134,245                     | \$ 1,147,284                   |
| --                                  | --                                      | 98,326                         | 3,418,117                      |
| 141,252                             | --                                      | 289,754                        | 1,245,810                      |
| --                                  | --                                      | 170,846                        | 170,846                        |
| <u>141,252</u>                      | <u>1,433</u>                            | <u>693,171</u>                 | <u>5,982,057</u>               |
| 46,679                              | --                                      | 484,060                        | 3,536,004                      |
| 93,605                              | 26,150                                  | 119,051                        | 2,043,422                      |
| --                                  | --                                      | 58,798                         | 443,725                        |
| --                                  | --                                      | 8,268                          | 8,268                          |
| --                                  | 114,657                                 | --                             | 114,657                        |
| --                                  | --                                      | 149,298                        | 171,085                        |
| --                                  | --                                      | 44,234                         | 46,194                         |
| <u>140,284</u>                      | <u>140,807</u>                          | <u>863,709</u>                 | <u>6,363,355</u>               |
| 968                                 | (139,374)                               | (170,538)                      | (381,298)                      |
| --                                  | 425,000                                 | --                             | 425,000                        |
| --                                  | --                                      | --                             | 28,050                         |
| --                                  | --                                      | 370,496                        | 1,019,903                      |
| (968)                               | (75,958)                                | (311,110)                      | (1,019,903)                    |
| <u>(968)</u>                        | <u>349,042</u>                          | <u>59,386</u>                  | <u>453,050</u>                 |
| --                                  | 209,668                                 | (111,152)                      | 71,752                         |
| --                                  | --                                      | 346,529                        | 630,990                        |
| --                                  | --                                      | --                             | 694                            |
| <u>\$ --</u>                        | <u>\$ 209,668</u>                       | <u>\$ 235,377</u>              | <u>\$ 703,436</u>              |

**SHAW 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   | \$ 71,752          |
| Amounts reported for governmental activities in the statement of activities ("SOA") are different because: |                    |
| Capital outlays are not reported as expenses in the SOA.   | 129,693            |
| The depreciation of capital assets used in governmental activities is not reported in the funds.           | (48,961)           |
| The gain or loss on the sale of capital assets is not reported in the funds.                               | (927)              |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.               | 40,000             |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.      | 21,085             |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.               | 110,000            |
| (Increase) decrease in accrued interest from beginning of period to end of period                          | 2,289              |
| Change in inventory is adjustment to fund balance in funds but affect non-instr. expense in SOA            | 694                |
| Compensated absences reported as amount earned in SOA but as amount paid in the funds.                     | 5,488              |
| Long term debt proceeds recognized as revenue in the funds but not in the SOA                              | <u>(425,000)</u>   |
| Change in net assets of governmental activities - statement of activities                                  | <u>\$ (93,887)</u> |

The accompanying notes are an integral part of this statement.

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

| ASSETS  | Agency<br>Funds   |
|---|-------------------|
| Assets:   |                   |
| <i>Cash and other deposits</i>                  | \$ 294,963        |
| <b>Total Assets</b>                             | <b>\$ 294,963</b> |
| <br>  |                   |
| LIABILITIES                                     |                   |
| Liabilities:                                    |                   |
| <i>Accounts payable and accrued liabilities</i> | \$ 282,473        |
| <i>Due to student clubs</i>                     | 4,262             |
| <i>Due to other funds</i>                       | 8,228             |
| <b>Total Liabilities</b>                        | <b>\$ 294,963</b> |

The accompanying notes are an integral part of this statement.

**Shaw School District**

Notes to the Financial Statements  
June 30, 2006

## Shaw 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 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 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 school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

*Fund Financial Statements:*

## Shaw School District

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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.

School Food Service Fund - This fund is established to account for the financial resources of the school district's food service.

Title I Low Grant Fund - This fund is used to account for all the revenues and expenditures dealing with the district's Title I program.

EHA, Part B 2000 FY Grant Fund - This fund accounts for the transactions of the special education grants to states program.

## Shaw School District

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

3 Mill Ten-Note Fund Construction - This fund is used to account for construction financed by the three mill ten year note.

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 major capital projects) that are legally restricted for specific expenditure purposes.

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

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *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 the *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.

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

### G. Investments.

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

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

### H. Inventories and Prepaid Items.

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

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

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

### I. Capital Assets.

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

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

## Shaw School District

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

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

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See **Note 6** 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 governmental activities column. See **Note 7** 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 loan receivables are reported as "due from other funds" and are considered available expendable resources.

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

## Shaw 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 5** 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 classified as designated and undesignated.

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

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

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

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

## Shaw School District

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

Restricted 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.

### 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 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 Shaw 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 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.

**Shaw 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 and investments 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 \$680,493 and \$294,963 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$679,338 and Restricted Assets \$1,154. 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 \$1,286,640.

*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 collateral-ized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2006, none of the district's bank balance of \$1,286,640 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 .....             | \$48,228        | \$ 1,289      |
| School Food Service Fund ..... | 0               | 40,000        |

**Shaw School District**

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

|                                    |                 |                 |
|------------------------------------|-----------------|-----------------|
| Other Governmental Funds . . . . . | 12,350          | 11,061          |
| Agency Funds . . . . .             | <u>0</u>        | <u>8,228</u>    |
| Total . . . . .                    | <u>\$60,578</u> | <u>\$60,578</u> |

The purpose of the Due From/To other funds balances was to escrow unemployment revolving fund, to transfer operating cash for food service, to transfer debt service payment and PERS credits. All balances are expected to be repaid within one year from the date of the financial statements.

**B. Transfers In/Out.**

| Governmental Funds:                     | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| General Fund . . . . .                  | \$649,407           | \$ 631,867           |
| EHA Part B 2000 FY Grant Fund . . . . . | 0                   | 968                  |
| Title I Low Grant Fund . . . . .        | 0                   | 75,958               |
| Other Governmental Funds . . . . .      | <u>370,496</u>      | <u>311,110</u>       |
| Total . . . . .                         | <u>\$1,019,903</u>  | <u>\$1,019,903</u>   |

The purpose of the transfers was to move Sixteenth Section revenue and indirect costs to the operating account, to transfer debt service obligations, and to transfer operating funds. 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</u><br><u>7-1-2005</u> | <u>Additions</u>      | <u>Retirements</u>   | <u>Adjustments</u> | <u>Balance</u><br><u>6-30-2006</u> |
|--|-----------------------------------|-----------------------|----------------------|--------------------|------------------------------------|
| <b><u>Depreciable capital assets:</u></b>        |                                   |                       |                      |                    |                                    |
| Buildings  | 1,446,686                         |                       |                      |                    | 1,446,686                          |
| Building improvements                            | 0                                 | 114,657               |                      |                    | 114,657                            |
| Mobile equipment                                 | 261,826                           |                       | 5,950                |                    | 255,876                            |
| Furniture and equipment                          | 179,172                           | 15,036                | 33,259               |                    | 160,949                            |
| Leased property under capital leases             | 111,424                           |                       |                      |                    | 111,424                            |
| <b>Total depreciable capital assets</b>          | <b><u>1,999,108</u></b>           | <b><u>129,693</u></b> | <b><u>39,209</u></b> | <b><u>0</u></b>    | <b><u>2,089,592</u></b>            |
| <b><u>Less accumulated depreciation for:</u></b> |                                   |                       |                      |                    |                                    |
| Buildings  | 1,104,838                         | 7,502                 |                      |                    | 1,112,340                          |
| Building improvements                            | 0                                 | 4,586                 |                      |                    | 4,586                              |
| Mobile equipment                                 | 208,026                           | 10,022                | 5,355                |                    | 212,693                            |
| Furniture and equipment                          | 119,121                           | 8,894                 |                      |                    | 128,015                            |

**Shaw School District**

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

|   | Balance<br>7-1-2005 | Additions | Retirements | Adjustments | Balance<br>6-30-2006 |
|---|---------------------|-----------|-------------|-------------|----------------------|
| Leased property under capital leases        | 21,352              | 17,957    | 32,927      |             | 6,382                |
| Total accumulated depreciation              | 1,453,337           | 48,961    | 38,282      | 0           | 1,464,016            |
| Total depreciable capital assets, net       | 545,771             | 80,732    | 927         | 0           | 625,576              |
| Governmental activities capital assets, net | \$ 545,771          | 80,732    | 927         | 0           | 625,576              |

Depreciation expense was charged to the following governmental functions:

|                            | <u>Amount</u>   |
|----------------------------|-----------------|
| Instruction                | \$19,095        |
| Support Services           | 24,481          |
| Non-Instructional          | 5,385           |
| Total Depreciation Expense | <u>\$48,961</u> |

(6) Long-term liabilities.

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

|                                      | Balance<br>7-1-2005 | Additions | Reductions | Adjustments | Balance<br>6-30-2006 | Amounts due<br>within one<br>year |
|--------------------------------------|---------------------|-----------|------------|-------------|----------------------|-----------------------------------|
| A. Limited obligation bonds payable  | \$ 765,000          |           | 40,000     |             | 725,000              | 40,000                            |
| B. Three mill-ten year notes payable | 110,000             | 425,000   | 110,000    |             | 425,000              | 40,000                            |
| C. Obligations under capital leases  | 67,614              |           | 21,085     |             | 46,529               | 22,108                            |
| D. Compensated absences payable      | 24,279              |           | 5,488      |             | 18,791               | 940                               |
| Total                                | \$ 966,893          | 425,000   | 176,573    | 0           | 1,215,320            | 103,048                           |

A. Limited Obligation Bonds Payable.

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

| <u>Description</u> | <u>Interest<br/>Rate</u> | <u>Issue<br/>Date</u> | <u>Maturity<br/>Date</u> | <u>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding</u> |
|--------------------|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
|--------------------|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|

**Shaw School District**

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

|  |        |          |            |                    |                |
|--|--------|----------|------------|--------------------|----------------|
| State aid capital improvement bonds, Series 1998 | Varies | 05-01-98 | 05-01-2018 | <u>\$1,050,000</u> | <u>725,000</u> |
| Total  |        |          |            | <u>\$1,050,000</u> | <u>725,000</u> |

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

| Year Ending<br><u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|-------------------------------|------------------|-----------------|----------------|
| 2007                          | \$ 40,000        | 35,250          | 75,250         |
| 2008                          | 45,000           | 33,125          | 78,125         |
| 2009                          | 45,000           | 30,875          | 75,875         |
| 2010                          | 50,000           | 28,500          | 78,500         |
| 2011                          | 50,000           | 26,000          | 76,000         |
| 2012-2016                     | 285,000          | 89,875          | 374,875        |
| 2017-2021                     | <u>210,000</u>   | <u>14,375</u>   | <u>224,375</u> |
| Total                         | <u>\$725,000</u> | <u>258,000</u>  | <u>983,000</u> |

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP 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> |
|--------------------------------------|----------------------|-------------------|----------------------|----------------------|---------------------------|
| Three Mill Ten Year Note Series 2005 | Varies               | 12-19-05          | 10-15-15             | \$ <u>425,000</u>    | <u>425,000</u>            |
| Total                                |                      |                   |                      | \$ <u>425,000</u>    | <u>425,000</u>            |

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

| Year Ending<br><u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|------------------|-----------------|--------------|
| 2007                          | \$ 40,000        | 22,166          | 62,166       |
| 2008                          | 47,000           | 14,785          | 61,785       |

**Shaw School District**

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

|             |                   |               |                |
|-------------|-------------------|---------------|----------------|
| 2009        | 45,000            | 12,904        | 57,904         |
| 2010        | 45,000            | 11,063        | 56,063         |
| 2011        | 45,000            | 9,223         | 54,223         |
| 2012 - 2016 | <u>203,000</u>    | <u>20,225</u> | <u>223,225</u> |
| Total       | \$ <u>425,000</u> | <u>90,366</u> | <u>515,366</u> |

This debt will be retired from the Three Mill Ten Year Note Fund.

C. Obligations under capital leases.

The school district has entered into two lease agreements that qualify as a capital lease for accounting purposes. Leased property under these leases is composed of:

1. Dishwashing machine
2. Passenger buses

The various options available to the lessee for these leases are as follows:

1. The title to the leased property for both leases is transferred to the school at the end of the lease term.

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

| Year Ending<br>June 30 | Principal        | Interest and<br>Maintenance<br>Charges | Total         |
|------------------------|------------------|--|---------------|
| 2007                   | \$ 22,108        | 2,249                                  | 24,357        |
| 2008                   | 23,246           | 1,111                                  | 24,357        |
| 2009                   | <u>1,175</u>     | <u>85</u>                              | <u>1,260</u>  |
| Total                  | \$ <u>46,529</u> | <u>3,445</u>                           | <u>49,974</u> |

This debt will be retired from the District Maintenance Fund and Food Service Fund.

D. Compensated absences payable.

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

## Shaw School District

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

### (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 rate for fiscal year ending June 30, 2006 was 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 \$362,371, \$325,717, and \$301,302, respectively, which equaled the required contributions for each year.

### (8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public 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.

| Year Ending<br>June 30 | Amount            |
|------------------------|-------------------|
| 2007                   | \$ 143,785        |
| 2008                   | 88,365            |
| 2009                   | 88,365            |
| 2010                   | 88,365            |
| 2011                   | 70,320            |
| Total                  | \$ <u>479,200</u> |

### (9) Risk Management.

**Shaw School District**

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

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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

**SHAW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2006

**Exhibit 1**

|  | Budgeted Amounts    |                  | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|---------------------|------------------|------------------------|----------------------------------|--------------------|
|  | Original            | Final            |                        | Original<br>to Final             | Final<br>to Actual |
|  |                     |                  |                        |                                  |                    |
| <b>Revenues:</b>   |                     |                  |                        |                                  |                    |
| Local sources  | \$ 967,270          | 947,237          | 947,238                | (20,033)                         | 1                  |
| State sources  | 3,233,377           | 3,317,640        | 3,317,639              | 84,263                           | (1)                |
| Federal sources  | 336,834             | 42,762           | 45,762                 | (294,072)                        | 3,000              |
| <b>Total Revenues</b>  | <b>4,537,481</b>    | <b>4,307,639</b> | <b>4,310,639</b>       | <b>(229,842)</b>                 | <b>3,000</b>       |
| <b>Expenditures:</b>   |                     |                  |                        |                                  |                    |
| Instruction  | 2,658,228           | 2,749,063        | 2,749,061              | (90,835)                         | 2                  |
| Support services   | 1,549,282           | 1,580,372        | 1,580,373              | (31,090)                         | (1)                |
| <b>Debt Service:</b>   |                     |                  |                        |                                  |                    |
| Principal  | 20,000              | 19,877           | 19,877                 | 123                              | -                  |
| Interest   | 3,000               | 1,960            | 1,960                  | 1,040                            | -                  |
| <b>Total Expenditures</b>                                    | <b>4,230,510</b>    | <b>4,351,272</b> | <b>4,351,271</b>       | <b>(120,762)</b>                 | <b>1</b>           |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>306,971</b>      | <b>(43,633)</b>  | <b>(40,632)</b>        | <b>(350,604)</b>                 | <b>3,001</b>       |
| <b>Other Financing Sources (Uses):</b>                       |                     |                  |                        |                                  |                    |
| Insurance Loss Recoveries                                    | -                   | 28,050           | 28,050                 | 28,050                           | -                  |
| Operating transfers in                                       | 127,495             | 649,407          | 649,407                | 521,912                          | -                  |
| Operating transfers out                                      | -                   | (631,867)        | (631,867)              | (631,867)                        | -                  |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>127,495</b>      | <b>45,590</b>    | <b>45,590</b>          | <b>(81,905)</b>                  | <b>-</b>           |
| <b>Net Change in Fund Balances</b>                           | <b>434,466</b>      | <b>1,957</b>     | <b>4,958</b>           | <b>(432,509)</b>                 | <b>3,001</b>       |
| <b>Fund Balances:</b>  |                     |                  |                        |                                  |                    |
| July 1, 2005   | 668,284             | 238,774          | 252,944                | (429,510)                        | 14,170             |
| Prior period adjustments (Note )                             | -                   | -                | -                      | -                                | -                  |
| July 1, 2005, as restated                                    | 668,284             | 238,774          | 252,944                | (429,510)                        | 14,170             |
| <b>June 30, 2006</b>   | <b>\$ 1,102,750</b> | <b>240,731</b>   | <b>257,902</b>         | <b>(862,019)</b>                 | <b>17,171</b>      |

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

**SHAW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 School Food Service Fund  
 For the Year Ended June 30, 2006

**Exhibit 2**

|  | Budgeted Amounts |                 | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|-----------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final           |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |                 |                        |                                  |                    |
| <b>Revenues:</b>   |                  |                 |                        |                                  |                    |
| Local sources  | \$ 29,841        | 64,362          | 64,361                 | 34,521                           | (1)                |
| State sources  | 2,115            | 2,152           | 2,152                  | 37                               | -                  |
| Federal sources  | 333,065          | 332,097         | 352,483                | (968)                            | 20,386             |
|  | <u>365,021</u>   | <u>398,611</u>  | <u>418,996</u>         | <u>33,590</u>                    | <u>20,385</u>      |
| <b>Expenditures:</b>   |                  |                 |                        |                                  |                    |
| Support Services   | 45,600           | 66,655          | 66,655                 | (21,055)                         | -                  |
| Noninstructional services                                    | 309,707          | 361,768         | 382,153                | (52,061)                         | 20,385             |
| <b>Debt Service:</b>   |                  |                 |                        |                                  |                    |
| Principal  | 2,000            | 821             | 1,910                  | 1,179                            | 1,089              |
| Interest   | 6,000            | 1,089           |                        | 4,911                            | (1,089)            |
| Total Expenditures   | <u>363,307</u>   | <u>430,333</u>  | <u>450,718</u>         | <u>(67,026)</u>                  | <u>20,385</u>      |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>1,714</u>     | <u>(31,722)</u> | <u>(31,722)</u>        | <u>(33,436)</u>                  | <u>-</u>           |
| <b>Other Financing Sources (Uses):</b>                       |                  |                 |                        |                                  |                    |
| Operating transfers out                                      |                  | -               | -                      | -                                | -                  |
| Total Other Financing Sources (Uses)                         | <u>-</u>         | <u>-</u>        | <u>-</u>               | <u>-</u>                         | <u>-</u>           |
| <b>Net Change in Fund Balances</b>                           | <u>1,714</u>     | <u>(31,722)</u> | <u>(31,722)</u>        | <u>(33,436)</u>                  | <u>-</u>           |
| <b>Fund Balances:</b>  |                  |                 |                        |                                  |                    |
| July 1, 2005   | 33,232           | 489             | 31,517                 | (32,743)                         | 31,028             |
| Prior Period Adjustments                                     |                  |                 |                        | -                                | -                  |
| July 1, 2005, as restated                                    | <u>33,232</u>    | <u>489</u>      | <u>31,517</u>          | <u>(32,743)</u>                  | <u>31,028</u>      |
| Increase (Decrease in Inventory)                             |                  |                 | 694                    |                                  | 694                |
| June 30, 2006  | <u>\$ 34,946</u> | <u>(31,233)</u> | <u>489</u>             | <u>(66,179)</u>                  | <u>31,722</u>      |

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

**SHAW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Low Grant Fund  
 For the Year Ended June 30, 2006

**Exhibit 3**

|  | Budgeted Amounts  |                | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|-------------------|----------------|------------------------|----------------------------------|--------------------|
|  | Original          | Final          |                        | Original<br>to Final             | Final<br>to Actual |
|  |                   |                |                        |                                  |                    |
| <b>Revenues:</b>   |                   |                |                        |                                  |                    |
| Local sources  |                   |                | 7                      |                                  | 7                  |
| Federal sources  | 485,036           | 439,852        | 416,559                | (45,184)                         | (23,293)           |
|  | <u>485,036</u>    | <u>439,852</u> | <u>416,566</u>         | <u>(45,184)</u>                  | <u>(23,286)</u>    |
| <b>Expenditures:</b>   |                   |                |                        |                                  |                    |
| Instruction  | 239,869           | 256,204        | 256,204                | (16,335)                         | -                  |
| Support Services   | 159,505           | 157,587        | 157,588                | 1,918                            | (1)                |
| Noninstructional services                                    | 5,000             | 2,774          | 2,774                  | 2,226                            | -                  |
| Total Expenditures   | <u>404,374</u>    | <u>416,565</u> | <u>416,566</u>         | <u>(12,191)</u>                  | <u>(1)</u>         |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <u>80,662</u>     | <u>23,287</u>  | <u>-</u>               | <u>(57,375)</u>                  | <u>(23,287)</u>    |
| <b>Other Financing Sources (Uses):</b>                       |                   |                |                        |                                  |                    |
| Operating transfers in                                       | -                 | -              | -                      | -                                | -                  |
| Total Other Financing Sources (Uses)                         | <u>-</u>          | <u>-</u>       | <u>-</u>               | <u>-</u>                         | <u>-</u>           |
| <b>Net Change in Fund Balances</b>                           | <u>80,662</u>     | <u>23,287</u>  | <u>-</u>               | <u>(57,375)</u>                  | <u>(23,287)</u>    |
| <b>Fund Balances:</b>  |                   |                |                        |                                  |                    |
| July 1, 2005   | 80,669            | 23,294         |                        | (57,375)                         | (23,294)           |
| Prior Period Adjustments                                     |                   | -              |                        | -                                | -                  |
| July 1, 2005, as restated                                    | <u>80,669</u>     | <u>23,294</u>  | <u>-</u>               | <u>(57,375)</u>                  | <u>(23,294)</u>    |
| Increase (Decrease in Inventory)                             |                   |                | -                      |                                  |                    |
| June 30, 2006  | <u>\$ 161,331</u> | <u>46,581</u>  | <u>-</u>               | <u>(114,750)</u>                 | <u>(46,581)</u>    |

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

**SHAW SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 EHA Part B 2000 FY Grant Fund  
 For the Year Ended June 30, 2006

**Exhibit 4**

|  | Budgeted Amounts |                | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|----------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final          |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |                |                        |                                  |                    |
| <b>Revenues:</b>                                     |                  |                |                        |                                  |                    |
| Federal sources                                      | \$ 147,328       | 161,521        | 141,252                | 14,193                           | (20,269)           |
|  | <u>147,328</u>   | <u>161,521</u> | <u>141,252</u>         | <u>14,193</u>                    | <u>(20,269)</u>    |
| <b>Expenditures:</b>                                 |                  |                |                        |                                  |                    |
| Instruction  | 36,276           | 46,680         | 46,679                 | (10,404)                         | 1                  |
| Support Services                                     | <u>87,593</u>    | <u>93,605</u>  | <u>93,605</u>          | <u>(6,012)</u>                   | <u>-</u>           |
| Total Expenditures                                   | <u>123,869</u>   | <u>140,285</u> | <u>140,284</u>         | <u>(16,416)</u>                  | <u>1</u>           |
| <br>   |                  |                |                        |                                  |                    |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>23,459</u>    | <u>21,236</u>  | <u>968</u>             | <u>(2,223)</u>                   | <u>(20,268)</u>    |
| <br>   |                  |                |                        |                                  |                    |
| <b>Other Financing Sources (Uses):</b>               |                  |                |                        |                                  |                    |
| Operating transfers in                               | -                | -              | -                      | -                                | -                  |
| Operating transfers out                              | <u>-</u>         | <u>(968)</u>   | <u>(968)</u>           | <u>(968)</u>                     | <u>-</u>           |
| Total Other Financing Sources (Uses)                 | <u>-</u>         | <u>(968)</u>   | <u>(968)</u>           | <u>(968)</u>                     | <u>-</u>           |
| <br>   |                  |                |                        |                                  |                    |
| Net Change in Fund Balances                          | <u>23,459</u>    | <u>20,268</u>  | <u>-</u>               | <u>(3,191)</u>                   | <u>(20,268)</u>    |
| <br>   |                  |                |                        |                                  |                    |
| <b>Fund Balances:</b>                                |                  |                |                        |                                  |                    |
| July 1, 2005   | 23,459           | 20,268         | -                      | (3,191)                          | (20,268)           |
| Prior Period Adjustments                             | <u>-</u>         | <u>-</u>       | <u>-</u>               | <u>-</u>                         | <u>-</u>           |
| July 1, 2005, as restated                            | <u>23,459</u>    | <u>20,268</u>  | <u>-</u>               | <u>(3,191)</u>                   | <u>(20,268)</u>    |
| Increase (Decrease) in Inventory                     | -                | -              | -                      | -                                | -                  |
| June 30, 2006  | <u>\$ 46,918</u> | <u>40,536</u>  | <u>-</u>               | <u>(6,382)</u>                   | <u>(40,536)</u>    |

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

## **Shaw 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 major special revenue funds consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

**Shaw School District**

**Schedule 1**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM TITLE                                  | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | <u>Federal<br/>Expenditures</u> |
|---|---|---------------------------------|
| U. S. DEPARTMENT OF AGRICULTURE/<br>Passed-through the Mississippi Department of Education: |   |                                 |
| Non-cash assistance:  |   |                                 |
| Food Donation   | 10.550  | \$20,385                        |
| Child Nutrition Cluster:  |   |                                 |
| School Breakfast Program  | 10.553  | 93,958                          |
| National School Lunch Program   | 10.555  | <u>238,140</u>                  |
| Total child nutrition cluster   |   | <u>332,098</u>                  |
| Total passed-through the MDE  |   | <u>352,483</u>                  |
| TOTAL U. S. DEPARTMENT OF AGRICULTURE   |   | 352,483                         |
| FEDERAL COMMUNICATION COMMISSION  |   |                                 |
| Administered through Universal Service Administrative Company:                              |   |                                 |
| The school and libraries program of the Universal Service Fund                              | 32.xxx  | <u>45,762</u>                   |
| Total Federal Communication Commission  |   | 45,762                          |
| U. S. DEPARTMENT OF EDUCATION/<br>Passed-through the Mississippi Department of Education:   |   |                                 |
| Title I Grants to Local Educational Agencies  | 84.010  | 416,559                         |
| Vocational Education - Basic Grant to States  | 84.048  | 17,400                          |
| Safe and Drug Free Schools and Communities - State Grants                                   | 84.186  | 3,427                           |
| State Grants for Innovative Programs  | 84.298  | 45,762                          |
| Education Technology State Grants   | 84.318  | 96,238                          |
| Comprehensive School Reform Demonstration   | 84.332  | 22,615                          |
| Reading First State Grants  | 84.357  | 135,438                         |
| Rural Education   | 84.358  | 13,273                          |
| Special Education Cluster:  |   |                                 |
| Special Education - Grants to States  | 84.027  | 141,253                         |
| Special Education - Preschool Grants  | 84.173  | <u>1,363</u>                    |
| Total special education cluster   |   | <u>142,616</u>                  |
| Total passed-through the MDE  |   | <u>893,328</u>                  |
| TOTAL U. S. DEPARTMENT OF EDUCATION   |   | 893,328                         |
| TOTAL FOR ALL FEDERAL AWARDS  |   | <u>\$1,291,573</u>              |

Notes to Schedule

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

**Shaw 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 | \$ 4,510,483        | 3,082,130                           | 378,442                | 231,165               | 818,746          |
| Other                        | 1,852,872           | 453,874                             | 252,217                | 26,775                | 1,120,006        |
| <b>Total</b>                 | <b>\$ 6,363,355</b> | <b>3,536,004</b>                    | <b>630,659</b>         | <b>257,940</b>        | <b>1,938,752</b> |
| Total number of students *   | 670                 |                                     |                        |                       |                  |
| Cost per student             | \$ 9,498            | 5,278                               | 941                    | 385                   | 2,894            |

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  
Shaw School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2006, which collectively comprise the Shaw School Districts's basic financial statements and have issued our report thereon dated October 4, 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 an opinion 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 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 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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  
October 4, 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  
Shaw School District

Compliance

I have audited the compliance of the Shaw School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. 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 that 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, Shaw 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 Shaw 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  
October 4, 2006

Certified Public Accountant

**J.E. FORTENBERRY, III, P.C.**  
**Certified Public Accountant**

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

Superintendent and School Board  
Shaw School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Shaw School District as of and for the year ended June 30, 2006, which collectively comprise Shaw School District's basic financial statements and have issued my report thereon dated October 4, 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 performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,713.62 of classroom supply funds carried over from previous years.

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

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



J.E. Fortenberry, III, PC  
October 4, 2006

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Shaw 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 weakness(es) identified?   | No          |
| b. | Reportable condition(s) 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 weakness(es) identified?  | No          |
| b.  | Reportable condition(s) identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
| a.  | Cluster: Child Nutrition<br>CFDA # 10.553<br>CFDA # 10.555   |             |
| b.  | Title I - grants to local educational agencies<br>CFDA # 84.010  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes         |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

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.

