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# YAZOO COUNTY SCHOOL DISTRICT

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YAZOO COUNTY SCHOOL DISTRICT  
FINANCIAL AUDIT REPORT

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June 15, 2007

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

Superintendent and School Board  
Yazoo County School District

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

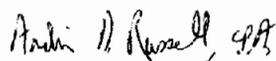
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 opinion.

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 on the Yazoo County School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have issued my report dated June 15, 2007, on my consideration of the Yazoo County 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 *Governmental Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedule and corresponding notes on pages 30 through 35 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 inquires 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 Yazoo County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Ardis D. Russell, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Yazoo County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the financial statements and the notes to basic financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to the 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 \$437,187 from fiscal year 2005, which represents 4.02% of ending net assets.

General revenues account for \$12,156,773 in revenue, or 77.82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,464,058 or 22.18% of total revenues.

The District had \$15,854,135 in expenses; only 21.85% of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,156,773 plus reserves from prior years were adequate to provide for these programs.

Among major funds, the General Fund had \$11,166,277 in revenues, \$370,397 net transfers in, \$3,845 other financing sources, \$12,081,721 in expenditures and \$(121,417) in prior period adjustments. The General Fund's fund balance decreased \$662,619.

Capital assets, net of accumulated depreciation, decreased by \$408,982. This decrease was caused by the retirement of numerous assets and a greater charge for depreciation expense than for capital asset acquisitions..

Long-term debt decreased by \$635,922.

**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.

This 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 11 and 12 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-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 14 and 16 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 in pages 13 and 15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets on page 17.

**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 18 through 30 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 31 through 35 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 36 and 37, respectively, 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 \$10,862,571 as of June 30, 2006.

By far the largest portion of the District's net assets, 78.25% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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

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

	<u>Net Assets</u>		<u>Percentage</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Current assets	\$ 2,679,246	\$ 3,293,368	-18.6%
Capital assets, net	<u>15,990,332</u>	<u>16,399,314</u>	-2.5%
<b>Total assets</b>	<u>18,669,578</u>	<u>19,692,682</u>	-5.2%
Current liabilities	804,402	733,490	9.7%
Long-term debt outstanding	<u>7,002,605</u>	<u>7,659,434</u>	-8.6%
<b>Total liabilities</b>	<u>7,807,007</u>	<u>8,392,924</u>	-7.0%
	<u>Net Assets</u>		<u>Percentage</u>
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Net assets:			
Invested in capital assets, net of related debt	8,500,332	8,309,314	2.3%
Restricted	1,198,263	1,275,687	-6.1%
Unrestricted	<u>1,163,976</u>	<u>1,714,757</u>	-32.1%
<b>Total net assets</b>	<u>\$10,862,571</u>	<u>\$11,299,758</u>	-3.9%

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

The principal retirement of \$645,215 of long-term debt.

The net reduction of \$636,508 in capital assets and the net decrease to accumulated depreciation of \$227,526.

**Changes in net assets.** The District's total revenue for the fiscal year ended June 30, 2006 was \$15,535,706. The total cost of all programs and services was \$15,854,135. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and June 30, 2005.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 639,205	\$ 357,427	78.8%
Operating grants and contributions	2,824,853	3,231,844	-12.6%
General revenues:			
Property taxes	4,033,700	3,956,353	2.0%
Grants and contributions not Restricted	7,305,739	6,296,809	16.0%
Other	<u>732,209</u>	<u>834,986</u>	-12.3%
<b>Total revenues</b>	<u>15,535,706</u>	<u>14,677,419</u>	5.8%
<b>Expenses</b>			
Instruction	8,121,652	7,472,584	8.7%
Support services	6,132,594	5,838,668	5.0%
Non-instructional	1,032,917	990,872	4.2%
Sixteenth section	211,189	86,769	143.4%
Interest and other charges on long-term liabilities	<u>355,783</u>	<u>373,424</u>	-4.7%
<b>Total expenses</b>	<u>15,854,135</u>	<u>14,762,317</u>	7.4%
<b>Increase (Decrease) in net assets</b>	<u>\$ (318,429)</u>	<u>\$ (84,898)</u>	-275.1%
Net Assets, July 1	11,299,758	11,466,768	-1.5%
Prior period adjustments	( 118,758)	( 82,112)	-44.6%
Net Assets, June 30	<u>10,862,571</u>	<u>11,299,758</u>	-3.9%

The following are significant current year transactions that have had an impact on the Statement of Activities. The school district increased program revenues-charges for services by selling approximately \$183,127 of sixteenth section timber and making pro-rata expenses of approximately \$131,752 to other school districts.

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

	<u>2006</u>		<u>2005</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$8,121,652	\$(6,640,442)	\$ 7,472,584	\$( 5,646,547)

	<u>2006</u>		<u>2005</u>	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Support services	6,132,594	(5,496,223)	5,838,668	( 5,074,759)
Non-instructional	1,032,917	7,927	990,872	7,521
Sixteenth section	211,189	94,444	86,769	( 85,837)
Interest on long-term liabilities	<u>355,783</u>	<u>(355,783)</u>	<u>373,424</u>	<u>( 373,424)</u>
<b>Total expenses</b>	<b>\$15,854,135</b>	<b>\$(12,390,077)</b>	<b>\$14,762,317</b>	<b>\$(11,173,046)</b>

Net cost of governmental activities (\$12,390,077), was financed by general revenue which is made up of property taxes \$4,033,700, state revenue \$6,996,891, federal revenue \$308,848, sixteenth section revenue \$681,995, and other revenue \$46,558 and loss on disposal of fixed assets \$(85,125).

Investment earnings accounted for \$88,781 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 \$2,604,286, a decrease of \$669,029 due primarily to capital outlay expenditures on asset acquisitions and debt service payments. Of this \$2,604,286, \$1,828,129 or 70.20% 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 \$1,776,157 or 29.80% is reserved 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 fund balance in the General Fund for the fiscal year decreased \$662,619. The fund balance of Other Governmental Funds showed a decrease due primarily to expected expenditures for capital asset acquisitions and debt service.

### BUDGETARY HIGHLIGHTS

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

Amounts originally budgeted in the general fund for transfers in and out were underestimated. The amounts were increased to provide enough to cover costs associated with special education.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2006, the District's total capital assets were \$19,517,129, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$636,508 from the previous year. This decrease is due to retirement of worn out or obsolete equipment items. Total accumulated depreciation as of June 30, 2006 was \$3,526,797, depreciation expense for the year was \$519,720 and changes caused by asset disposals and reclassifications was \$(84,321) resulting in total net capital assets of \$15,990,332.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Land	\$ 414,546	\$ 414,546	0.0%
Buildings	9,329,853	9,541,763	-2.2%
Building improvements	5,153,728	5,263,454	-2.1%
Improvements other than buildings	645,547	624,938	-3.3%
Mobile equipment	144,578	246,096	-41.3%
Furniture and equipment	<u>302,080</u>	<u>308,517</u>	<u>-2.1%</u>
Total	<u>15,990,332</u>	<u>16,399,314</u>	<u>-2.5%</u>

Additional information of the District's capital assets can be found in Note 5 on Page 24 of this report.

**Debt Administration.** At June 30, 2006, the District had \$7,670,554 in general obligation bonds and other long-term debt outstanding, of which \$667,049 is due within one year.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2006</u>	<u>2005</u>	
Limited obligation bonds payable	\$1,145,000	\$1,295,000	-11.6%
Trust certificates payable	3,695,000	3,905,000	-5.4%
Three-mil notes payable	2,650,000	2,890,000	-8.3%
Shortfall notes payable	96,006	141,221	-32.0%
Compensated absences payable	<u>84,548</u>	<u>75,255</u>	<u>12.3%</u>
Total	<u>7,670,554</u>	<u>8,306,476</u>	<u>-7.7%</u>

Additional information of the District's long-term debt can be found in Note 6, on pages 25 through 28 of this report.

## CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District will remain fairly constant. The budget for the next fiscal year has taken into account this stability in both funding and staffing needs.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Yazoo County School District, P. O. Box 1088, Yazoo City, Mississippi 39194.

FINANCIAL STATEMENTS

YAZOO COUNTY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

Exhibit A

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$1,634,514
Due from other governments	510,273
Other receivables, net	204,293
Inventories and prepaid items	24,041
Restricted assets	306,125
Capital assets, not being depreciated (Note 5)	
Land	414,546
Capital assets, net of accumulated depreciation (Note 5)	
Buildings	9,329,853
Building improvements	5,153,728
Improvements other than buildings	645,547
Mobile equipment	144,578
Furniture and equipment	<u>302,080</u>
<b>Total Assets</b>	<b><u>\$18,669,578</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 74,160
Deferred revenue	800
Interest payable on long-term liabilities	61,493
Long-term liabilities (Due Within One Year): (Note 6)	
Capital related liabilities	620,000
Non-capital related liabilities	47,949
Long-term liabilities (Due Beyond One Year): (Note 6)	
Capital related liabilities	6,870,000
Non-capital related liabilities	<u>132,605</u>
<b>Total Liabilities</b>	<b><u>\$7,807,007</u></b>
<b>Net Assets</b>	
Investment in capital assets (net of related debt)	\$8,500,332
Restricted Net Assets	
Expendable	
School-based activities	454,879
Debt service	275,595
Forestry improvements	162,657
Unemployment benefits	34,833
Non-expendable	
Sixteenth section	246,258
Other	24,041
Unrestricted	<u>1,163,976</u>
<b>Total Net Assets</b>	<b><u>\$10,862,571</u></b>

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

YAZOO COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2006

Exhibit B

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary Government:					
Government Activities					
Instruction	\$8,121,652	205,319	1,275,891		(6,640,442)
Support Services	6,132,594		636,371		(5,496,223)
Non-instructional	1,032,917	128,253	912,591		7,927
Sixteenth Section	211,189	305,633			94,444
Interest and other charges on Long-term Liabilities	<u>355,783</u>				<u>(355,783)</u>
Total government activities	<u>\$15,854,135</u>	<u>639,205</u>	<u>2,824,853</u>		<u>(12,390,077)</u>
	General Revenues				
	Taxes:				
	General Purpose Levies				3,669,023
	Debt Purpose Levies				364,677
	Unrestricted Grants and Contributions:				
	State				6,996,891
	Federal				308,848
	Unrestricted Investment Earnings				88,781
	Sixteenth Section Sources				681,995
	Other				<u>46,558</u>
	Total General Revenues				12,156,773
	Special Items				<u>(85,125)</u>
	Total General Revenues and Special Items				12,071,648
	Changes in Net Assets				<u>(318,429)</u>
	Net Assets Beginning				11,299,758
	Prior Period Adjustments (Note 9):				<u>(118,758)</u>
	Net Assets-Beginning-Restated				<u>11,181,000</u>
	Net Assets - Ending				<u>\$ 10,862,571</u>

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

YAZOO COUNTY SCHOOL DISTRICT  
 Balance Sheet – Governmental Funds  
 June 30, 2006

Exhibit C

	General Fund	Title I - A Basic FY04	EEF Buildings and Buses	EHA Part B Grant	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 973,624	\$4,089	\$183,555	\$8,887	\$708,278	1,878,433
Investments					62,206	62,206
Due from other governments	151,164	88,637	4,658	22,539	173,341	440,339
Other receivables, net	53,869				150,424	204,293
Due from other funds	227,689				52,290	279,979
Advances to other funds	6,886					6,886
Inventories					24,041	24,041
<b>Total Assets</b>	<u>1,413,232</u>	<u>92,726</u>	<u>188,213</u>	<u>31,426</u>	<u>1,170,580</u>	<u>2,896,177</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	6,747	4,089		8,887	54,437	74,160
Due to other funds	462	88,637	52,290	22,539	46,117	210,045
Advances from other funds					6,886	6,886
Deferred revenue					800	800
<b>Total Liabilities</b>	<u>7,209</u>	<u>92,726</u>	<u>52,290</u>	<u>31,426</u>	<u>108,240</u>	<u>291,891</u>
<b>Fund Balances</b>						
Reserved for:						
Advances	6,886				890	6,886
Encumbrances	20,031		4,966		24,041	25,887
Inventory					275,595	275,595
Debt service					34,833	34,833
Unemployment benefits					162,657	162,657
Forestry improvement purposes					246,258	246,258
Permanent funds						
Unreserved:						
Undesignated, reported in:						
General Fund	1,379,106		130,957		318,066	1,379,106
Special revenue funds						449,023
<b>Total Fund Balances</b>	<u>1,406,023</u>		<u>135,923</u>		<u>1,062,340</u>	<u>2,604,286</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$1,413,232</u>	<u>92,726</u>	<u>188,213</u>	<u>31,426</u>	<u>1,170,580</u>	<u>2,896,177</u>

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance – governmental funds	\$2,604,286
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,526,797. (Note 5)	15,990,332
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(7,670,554)
3. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. However, in the statement of activities, which is presented on the accrual basis, expense and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than when it accrues.	<u>(61,493)</u>
Total net assets – governmental activities	<u>\$10,862,571</u>

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

YAZOO COUNTY SCHOOL DISTRICT  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance – All Governmental Funds  
 For the Year Ended June 30, 2006

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title 1 – A Basic FY 04	EEF Buildings and Buses	EHA Part B Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$3,958,103		4,446		507,269	4,469,818
State sources	6,899,326		56,886	300	292,005	7,248,517
Federal sources	308,848	927,817		381,994	1,263,417	2,882,076
Sixteenth section sources					<u>1,020,420</u>	<u>1,020,420</u>
<b>Total Revenues</b>	<u>11,166,277</u>	<u>927,817</u>	<u>61,332</u>	<u>382,294</u>	<u>3,083,111</u>	<u>15,620,831</u>
<b>Expenditures:</b>						
Instruction	6,923,995	515,343		175,645	509,329	8,124,312
Support services	5,072,514	337,391		206,899	106,520	5,723,324
Non-instructional services	1,705	75,083			954,356	1,031,144
Sixteenth section					211,189	211,189
Facilities acquisition and construction	83,507					83,507
<b>Debt Service:</b>						
Principal					645,215	645,215
Interest					354,270	354,270
Other					<u>6,415</u>	<u>6,415</u>
<b>Total Expenditures</b>	<u>12,081,721</u>	<u>927,817</u>		<u>382,544</u>	<u>2,787,294</u>	<u>16,179,376</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(915,444)</u>		<u>61,332</u>	<u>(250)</u>	<u>295,817</u>	<u>(558,545)</u>
<b>Other Financing Sources (Uses):</b>						
Insurance loss recoveries	3,345					3,345
Sale of other equipment	500					500
Operating transfers in	1,404,047				596,877	2,000,924
Operating transfers out	<u>(1,033,650)</u>		<u>(52,290)</u>		<u>(914,984)</u>	<u>(2,000,924)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>374,242</u>		<u>(52,290)</u>		<u>(318,107)</u>	<u>3,845</u>
<b>Net Change in Fund Balances</b>	<u>(541,202)</u>		<u>9,042</u>	<u>(250)</u>	<u>(22,290)</u>	<u>(554,700)</u>
<b>Fund Balances:</b>						
July 1, 2005	2,068,642		126,881		1,077,792	3,273,315
Prior period adjustments	<u>(121,417)</u>			<u>250</u>	<u>1,136</u>	<u>(120,031)</u>
July 1, 2005, as restated	1,947,225		126,881	250	1,078,928	3,153,284
Increase in reserve for inventory					<u>5,702</u>	<u>5,702</u>
June 30, 2006	<u>\$1,406,023</u>		<u>135,923</u>		<u>1,062,340</u>	<u>2,604,286</u>

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

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

Exhibit D-1

Net change in fund balances – governmental funds	\$ (554,700)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$198,434 and the depreciation expense amounted to \$519,720	(321,286)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 6)	645,215
3. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. However, in the statement of activities, which is presented on the accrual basis, expense and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than when it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Change in Inventories	\$ 5,702
Change in Compensated absences	(9,293)
Change in Accrued interest payable	<u>4,902</u>
	1,311
4. In the statement of activities, only gains or losses for the disposal of capital assets are reported, whereas in governmental funds, proceeds from the disposals of capital assets increase financial resources. Thus the change in net assets differs from the change in fund balances by this loss on disposal of capital assets.	<u>(88,969)</u>
Change in net assets of governmental activities	<u>\$ (318,429)</u>

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

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

Exhibit E

**Assets**

Cash and Cash Equivalents  
Due from other funds

\$617,980  
462

**Total Assets**

\$618,442

**Liabilities**

Accounts Payable and Accrued Liabilities  
Due to Other Funds

\$548,046  
70,396

**Total Liabilities**

\$618,442

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

# YAZOO COUNTY 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 Yazoo County School District have been prepared in conformity with generally accepted accounting principals (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principals. The most significant of the Yazoo County 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.

The Yazoo County Schools Leasing Corporation, Inc. ("the Corporation") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Corporation is governed by a six member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is a part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all the Corporation's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district.

#### B. Basis of Presentation

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

##### *Government-wide Financial Statements:*

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses 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 or grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

##### *Fund Financial Statements:*

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

#### 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, gain, 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.

## YAZOO COUNTY SCHOOL DISTRICT

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

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

The school district reports the following major governmental funds:

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

**Title I - A Basic, FY04** – This is the school district's fund for major federal program for improving basic programs operated by local education agencies

**EEF Buildings and Buses Fund** – This is the school district's fund for major building repair, construction and acquisition, and bus repair and acquisition.

**EHA, Part B Grant Fund** – this is the school district's major federal program for special education.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

#### FIDUCIARY FUNDS

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

#### D. Account Classifications.

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

#### E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

YAZOO COUNTY SCHOOL DISTRICT

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

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

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

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

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

(\* ) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term Liabilities

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of non-current or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on

YAZOO COUNTY SCHOOL DISTRICT

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

lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

*Government-wide Financial Statements:*

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

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, constructions or improvements 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 – Consists of 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 advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

Reserved for encumbrances – An account that represents the portion of fund balance that is restricted for commitments resulting from approved purchase orders, work orders, and contracts.

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

## YAZOO COUNTY SCHOOL DISTRICT

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

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

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

Unreserved, designated for, reported in special revenue funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

#### M. Property Taxes.

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

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

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

#### O. Compensated Absences.

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

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

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

As required, the School District has implemented Government Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* for the current fiscal year. This statement requires governments to evaluate major events effecting capital assets to determine whether they are impaired. Such events include physical damage, changes in legal or environmental factors, technology changes or obsolescence, changes in the manner or duration of use and construction stoppage. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

#### (3) Cash and Cash Equivalents, and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. 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 the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book

YAZOO COUNTY SCHOOL DISTRICT

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$1,878,433 and \$617,980, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,634,514 and Restricted Assets \$243,919. The Restricted assets represent the cash balance of the 16<sup>th</sup> section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$3,174,774.

Custodian Credit Risk – Deposits. Custodian credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal deposit policy for custodian credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's 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 \$3,174,774 was exposed to custodial credit risk.

Investments.

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

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Treasury bills	Less than 1	\$ 62,206	AA
Total Investments		<u>\$ 62,206</u>	

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

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

Custodian Credit Risk – Investments. Custodian credit risk is defined as the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy that addresses custodian credit risk. As of June 30, 2006, the district did not have any investments to which this would apply.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U.S. Treasury bills	\$ 62,206	100%
Total	<u>\$ 62,206</u>	

YAZOO COUNTY SCHOOL DISTRICT

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$227,689	462
Title I - A Basic		88,637
EEF - Buildings and buses		52,290
EHA - Part B Grant Fund		22,539
Other government funds	52,290	46,117
Fiduciary Funds	<u>462</u>	<u>70,396</u>
Total	<u>\$ 280,441</u>	<u>280,441</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end and to eliminate deficit cash balances.

B. Advances To/From Other Funds:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Funds:		
General Fund	\$ 6,886	
Other governmental funds		<u>6,886</u>
Total	<u>\$ 6,886</u>	<u>6,886</u>

The purpose of the advance was to eliminate a deficit cash balance.

C. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 1,404,047	1,033,650
EEF - Buildings and buses fund		52,290
Other governmental funds	<u>596,877</u>	<u>914,984</u>
Total	<u>\$ 2,000,924</u>	<u>2,000,924</u>

The purpose of interfund transfers was to provide funds to pay for debt service payments, to provide funds for daily operations, and to transfer expendable funds from 16<sup>th</sup> Section Principal to 16<sup>th</sup> Section Interest.

(5) Capital Assets.

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

	<u>Balance</u> <u>7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed</u> <u>Construction</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2006</u>
<u>Non-depreciable capital assets</u>						
Land	\$ 414,546					414,546
Total non-depreciable Capital assets	<u>414,546</u>					<u>414,546</u>
<u>Depreciable capital assets:</u>						
Buildings	11,165,843					11,165,843
Building improvements	5,908,963					5,908,963
Improvements other than buildings	705,588	72,885				778,473

YAZOO COUNTY SCHOOL DISTRICT

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

	<u>Balance 7-1-2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2006</u>
Mobile equipment	1,318,287		(825,337)			492,950
Furniture and equipment	<u>640,410</u>	<u>122,174</u>	<u>(9,605)</u>		<u>3,375</u>	<u>756,354</u>
Total depreciable capital assets	<u>19,739,091</u>	<u>195,059</u>	<u>(834,942)</u>		<u>3,375</u>	<u>19,102,583</u>
Less accumulated depreciation for:						
Buildings	1,624,080	211,910				1,835,990
Building improvements	645,509	109,726				755,235
Improvements other than buildings	80,650	52,276				132,926
Mobile equipment	1,072,191	18,984	(742,803)			348,372
Furniture & equipment	<u>331,893</u>	<u>126,824</u>	<u>(3,170)</u>		<u>(1,273)</u>	<u>454,274</u>
Total accumulated depreciation	<u>3,754,323</u>	<u>519,720</u>	<u>(745,973)</u>		<u>(1,273)</u>	<u>3,526,797</u>
Total depreciable capital assets, net	<u>15,984,768</u>	<u>(324,661)</u>	<u>(88,969)</u>		<u>4,648</u>	<u>15,575,786</u>
Governmental activities capital assets, net	<u>\$16,399,314</u>	<u>(324,661)</u>	<u>(88,969)</u>		<u>4,648</u>	<u>15,990,332</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 6,358
Support services	505,887
Non-instructional	<u>7,475</u>
Total depreciation expense	<u>\$ 519,720</u>

(6) Long-term liabilities:

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

	<u>Balance 7-1-2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6-30-2006</u>	<u>Amounts due Within one Year</u>
A. Limited obligation bonds payable	\$1,295,000		150,000		1,145,000	155,000
B. Trust certificates payable	3,905,000		210,000		3,695,000	215,000
C. Three mill notes payable	2,890,000		240,000		2,650,000	250,000
D. Shortfall notes payable	141,221		45,215		96,006	47,049
E. Compensated absences payable	<u>75,255</u>	<u>9,293</u>			<u>84,548</u>	<u>900</u>
Total	<u>\$8,306,476</u>	<u>9,293</u>	<u>645,215</u>		<u>7,670,554</u>	<u>667,949</u>

YAZOO COUNTY SCHOOL DISTRICT

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

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 Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	4.3 – 5.7%	02-01-98	02-13-13	\$ 1,760,000	1,145,000
Total				\$ 1,760,000	1,145,000

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

	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2007	155,000	50,700	205,700
	2008	165,000	44,035	209,035
	2009	170,000	36,775	206,775
	2010	180,000	29,295	209,295
	2011	190,000	21,375	211,375
	2012-2013	285,000	16,650	301,650
Total		\$ 1,145,000	198,830	1,343,830

The state aid capital improvements 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 debt service fund.

B. Trust certificates payable.

As more fully explained in Note 11, trust certificates have been issued by the school district. Trust certificates currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust certificates (lease) Series 2003	2.30-5.15%	05-01-02	05-19-19	\$ 4,500,000	3,695,000
Total				\$ 4,500,000	3,695,000

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

	<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2007	215,000	173,492	388,492
	2008	225,000	164,893	389,893
	2009	235,000	155,555	390,555
	2010	245,000	145,568	390,568
	2011	255,000	134,910	389,910
	2012-2016	1,460,000	488,180	1,948,180
	2017-2019	1,060,000	110,292	1,170,292
Total		\$ 3,695,000	1,372,890	5,067,890

This debt will be retired from the lease-purchase debt retirement fund.

YAZOO COUNTY SCHOOL DISTRICT

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

C. 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>
3-mill 15 year limited tax note , Series 2001	2.40-4.55%	01-01-01	01-01-16	\$ 3,580,000	2,650,000
Total				\$ 3,580,000	2,650,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	250,000	102,443	352,443
2008	220,000	94,468	314,468
2009	205,000	86,876	291,876
2010	215,000	78,996	293,996
2011	225,000	70,470	295,470
2012 - 2016	1,250,000	204,730	1,454,730
2017	285,000	6,484	291,484
Total	\$ 2,650,000	644,467	3,294,467

This debt will be retired from the debt retirement fund.

D. Shortfall 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>
2004 Shortfall note	4.00%	08-04-04	08-04-07	\$ 141,221	96,606
Total				\$ 141,221	96,606

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	47,049	3,894	50,943
2008	48,957	1,986	50,943
Total	\$ 96,006	5,880	101,886

This debt will be retired from the shortfall note retirement fund.

YAZOO COUNTY SCHOOL DISTRICT

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

E. 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.

(7) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2006, 2005 and 2004 were \$832,356, \$753,883 and \$709,864, 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.

<u>Year Ending June 30</u>	<u>Amount</u>
2007	\$542,923
2008	429,122
2009	353,968
2010	220,182
2011	27,846
2012-2016	91,556
2017-2021	59,841
2022-2026	4,841
2027-2031	2,012
Thereafter	<u>240</u>
Total	\$ <u>1,732,531</u>

YAZOO COUNTY SCHOOL DISTRICT

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

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
	Correct posting of prior years insurance accruals and transfers	\$(124,848)
	Correct posting of prior year receipt	1,944
	Record write-off of long outstanding checks	345
	Record refund of prior year expenditure	1,142
	Record prior year increase in reserve for inventories	(911)
	Record receipt of prior year revenue	2,701
	Correct posting of prior year accrual	(404)
	Correct posting of prior year depreciation on disposed asset	1,273
	Total	<u>(118,758)</u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	Correct posting of prior years insurance accruals and transfers	\$(124,848)
	Correct posting of prior year receipt	1,944
	Record write-off of long outstanding checks	345
	Record refund of prior year expenditure	1,142
EHA -- Idea, Part B	Correct posting of prior year expenditure	250
Other Government Funds	Record prior year increase in reserve for inventories	(911)
	Correct posting of prior year expenditure	(250)
	Correct prior year transfer of principal fund interest	(108)
	Correct prior year transfer of principal fund interest	108
	Record receipt of prior year revenue	2,701
	Correct posting of prior year receipt	7,695
	Correct posting of prior year receipt	(7,695)
	Correct posting of prior year accrual	(404)
	Total	<u>\$ (120,031)</u>

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 119 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorpsouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

YAZOO COUNTY SCHOOL DISTRICT

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

(11) Trust Certificates.

A trust agreement dated May 28, 2002, was executed by and between the school district and The Peoples Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$4,500,000. Approximately \$4,432,500 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$67,500 was used to pay the cost of insurance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effect of the lease agreement for financial reporting purposes.

(12) Vocational School Consortium.

The school district entered into a Vocational Education Agreement dated August 9, 1956, creating the Yazoo City Vocational School. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Yazoo City School District and the Yazoo County School District.

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

The Yazoo City School District has been designated as the fiscal agent for the Yazoo City Vocational School, and the operations of the consortium are included in its financial statements.

**YAZOO COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule for General and Major Funds  
 For the Year Ended June 30, 2006

Schedule I

GENERAL FUND	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 3,876,117	\$ 3,958,103	\$ 3,958,103	\$ 81,986	
Intermediate Sources					
State Sources	7,112,375	6,899,326	6,899,326	(213,050)	
Federal Sources	25,000	307,301	308,848	282,301	1,547
Sixteenth Section Sources					
<b>Total Revenues</b>	<b>\$ 11,013,492</b>	<b>\$ 11,164,730</b>	<b>\$ 11,166,277</b>	<b>\$ 151,237</b>	<b>\$ 1,547</b>
<b>Expenditures</b>					
Instruction	\$ 7,009,463	\$ 6,929,898	\$ 6,923,995	\$ 79,566	\$ 5,903
Support Services	5,233,966	5,160,265	5,072,514	73,701	87,751
Non-instructional Services	1,000	1,705	1,705	(705)	
Sixteenth Section					
Facilities Acquisition and Construction		83,507	83,507	(83,507)	
Debt Service:					
Principal					
Interest					
Other Debt Service					
<b>Total Expenditures</b>	<b>\$ 12,244,429</b>	<b>\$ 12,175,375</b>	<b>\$ 12,081,721</b>	<b>\$ 69,055</b>	<b>\$ 93,654</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,230,937)</b>	<b>(1,010,645)</b>	<b>(915,444)</b>	<b>220,292</b>	<b>95,201</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans					
Insurance Loss Recoveries		3,345	3,345	3,345	
Sale of Other Property		500	500	500	
Operating Transfers In	2,250,232	1,404,047	1,404,047	(846,186)	
Operating Transfers Out	(1,043,947)	(1,033,650)	(1,033,650)	10,298	
<b>Total Other Financing Sources (Uses)</b>	<b>1,206,285</b>	<b>374,242</b>	<b>374,242</b>	<b>(832,043)</b>	
<b>Net Change in Fund Balances</b>	<b>\$ (24,652)</b>	<b>\$ (636,403)</b>	<b>\$ (541,202)</b>	<b>\$ (611,751)</b>	<b>\$ 95,201</b>
<b>Fund Balances</b>					
<b>July 1, 2005</b>	<b>\$ 2,068,642</b>	<b>\$ 2,068,642</b>	<b>\$ 2,068,642</b>		
Prior Period Adjustments		(121,417)	(121,417)	(121,417)	
<b>July 1, 2005, as Restated</b>	<b>\$ 2,068,642</b>	<b>\$ 1,947,225</b>	<b>\$ 1,947,225</b>	<b>\$ (121,417)</b>	
<b>June 30, 2006</b>	<b>\$ 2,043,990</b>	<b>\$ 1,310,822</b>	<b>\$ 1,406,023</b>	<b>\$ (733,168)</b>	<b>\$ 95,201</b>

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

**YAZOO COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule for General and Major Funds  
 For the Year Ended June 30, 2006

Schedule 2

TITLE I - A BASIC, FY 04	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenue</b>					
Local Sources					
State Sources					
Federal Sources	1,114,950	1,130,021	927,817	15,071	(202,204)
Sixteenth Section Sources					
<b>Total Revenues</b>	<u>1,114,950</u>	<u>1,130,021</u>	<u>927,817</u>	<u>15,071</u>	<u>(202,204)</u>
<b>Expenditures</b>					
Instruction	590,494	547,383	515,343	43,111	32,040
Support Services	439,765	495,456	337,391	(55,691)	158,065
Non-instructional Services	85,233	87,182	75,083	(1,949)	12,099
Sixteenth Section					
Facilities Acquisition and Construction					
Debt Service:					
Principal					
Interest					
Other Debt Service					
<b>Total Expenditures</b>	<u>1,115,492</u>	<u>1,130,021</u>	<u>927,817</u>	<u>(14,529)</u>	<u>202,204</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(542)</u>			<u>542</u>	
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans					
Insurance Loss Recoveries					
Operating Transfers In					
Operating Transfers Out					
<b>Total Other Financing Sources (Uses)</b>					
<b>Net Change in Fund Balances</b>	<u>(542)</u>			<u>542</u>	
<b>Fund Balances</b>					
July 1, 2005					
Prior Period Adjustments					
July 1, 2005, as restated					
June 30, 2006	<u>(542)</u>			<u>542</u>	

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

**YAZOO COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule for General and Major Funds  
 For the Year Ended June 30, 2006

Schedule 3

EEF-Buildings/Buses Fund	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenue</b>					
Local Sources	\$ 150	\$ 4,446	\$ 4,446	\$ 4,296	
State Sources	58,425	56,886	56,886	(1,539)	
Federal Sources					
Sixteenth Section Sources					
<b>Total Revenues</b>	<u>58,575</u>	<u>61,332</u>	<u>61,332</u>	<u>2,757</u>	
<b>Expenditures</b>					
Instruction					
Support Services	60,000			60,000	
Non-instructional Services					
Sixteenth Section					
Facilities Acquisition and Construction					
Debt Service:					
Principal					
Interest					
Other Debt Service					
<b>Total Expenditures</b>	<u>60,000</u>			<u>60,000</u>	
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>(1,425)</u>	<u>61,332</u>	<u>61,332</u>	<u>62,757</u>	
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans					
Insurance Loss Recoveries					
Operating Transfers In					
Operating Transfers Out	(52,290)	(52,290)	(52,290)		
<b>Total Other Financing Sources (Uses)</b>	<u>(52,290)</u>	<u>(52,290)</u>	<u>(52,290)</u>		
<b>Net Change in Fund Balances</b>	(53,715)	9,042	9,042	62,757	
<b>Fund Balances</b>					
July 1, 2005	126,881	126,881	126,881		
Prior Period Adjustments					
<b>July 1, 2005 as Restated</b>	<u>126,881</u>	<u>126,881</u>	<u>126,881</u>		
<b>June 30, 2006</b>	<u>73,166</u>	<u>135,923</u>	<u>135,923</u>	<u>62,757</u>	<u>0</u>

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

**YAZOO COUNTY SCHOOL DISTRICT**  
 Budgetary Comparison Schedule for General and Major Funds  
 For the Year Ended June 30, 2006

EHA, Part B Grant	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
<b>Revenue</b>					
Local Sources					
State Sources			300		300
Federal Sources	465,959	481,031	381,994	15,072	(99,037)
Sixteenth Section Sources					
<b>Total Revenues</b>	<u>465,959</u>	<u>481,031</u>	<u>382,294</u>	<u>15,072</u>	<u>(98,737)</u>
<b>Expenditures</b>					
Instruction	222,434	239,500	175,645	(17,066)	63,855
Support Services	243,007	241,550	206,899	1,457	34,651
Non-instructional Services					
Sixteenth Section					
Facilities Acquisition and Construction					
Debt service:					
Principal					
Interest					
Other Debt Service					
<b>Total Expenditures</b>	<u>465,441</u>	<u>481,050</u>	<u>382,544</u>	<u>(15,609)</u>	<u>98,506</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	518	(19)	(250)	(537)	(231)
<b>Other Financing Sources (Uses)</b>					
Proceeds of Loans					
Insurance Loss Recoveries					
Operating Transfers In					
Operating Transfers Out					
<b>Total Other Financing Sources (Uses)</b>					
<b>Net Change in Fund Balances</b>	518	(19)	(250)	(537)	(231)
<b>Fund Balances</b>					
<b>July 1, 2005</b>					
Prior Period Adjustments		19	250	19	231
<b>July 1, 2005, as Restated</b>		19	250	19	231
<b>June 30, 2006</b>	<u>518</u>			<u>(518)</u>	

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

YAZOO COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

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

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 54,865
Child nutrition cluster:		
School breakfast program	10.553	228,066
National school lunch program	10.555	547,885
Total child nutrition cluster		775,951
Total U. S. Department of Agriculture		830,816
 <u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	59,161
Total U. S. Department of Defense		59,161
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I – grants to local educational agencies	84.010	927,817
Safe and drug free schools and communities – state grants	84.186	36,658
Innovative education program strategies	84.298	6,048
Education technology state grants	84.318	18,411
Transition to teaching	84.350	11,339
Hurricane education recovery	84.938	26,829
Rural education	84.358	56,774
Improving teacher quality – state grants	84.368	245,633
Total		1,329,509
Special education cluster:		
Special education – grants to states	84.027	383,520
Special education – preschool grants	84.173	23,759
Total		407,279
Total passed through Mississippi Department of Education		1,736,788
Total U.S. Department of Education		1,736,788
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	249,687
Total Federal Communications Commission		249,687
 <u>Other Grants and Awards</u>		
Disaster grant – public assistance grant (presidentially declared disasters)	97.036	5,623
Total other grants and awards		5,623
Total for All Federal Awards		\$ 2,882,075

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

Yazoo County School District  
 Schedule of Instructional, Administration and Other Expenditures – Governmental Funds  
 For the Year Ended June 30, 2006

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,898,149	8,412,385	687,629	752,930	1,045,205
Other	<u>5,281,246</u>	<u>1,194,817</u>	<u>289,130</u>	<u>83,741</u>	<u>3,713,539</u>
Total	<u>\$ 16,179,395</u>	<u>9,607,202</u>	<u>976,759</u>	<u>836,671</u>	<u>4,758,744</u>
Total number of students	1,833				
Cost per student	<u>\$ 8,827</u>	<u>5,241</u>	<u>533</u>	<u>457</u>	<u>2,596</u>

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

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

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

School Administration – includes expenditures in the following function: Support Services – School Administration (2400s).

Other – includes all expenditure functions not included in Instruction or Administrative Categories.

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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND 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*

June 15, 2007

Superintendent and School Board  
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2006, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated June 15, 2007. 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.

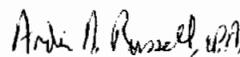
Internal Control Over Financial Reporting

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 opinions 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 or other matters that are required to be reported under *Government Auditing Standards*.

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



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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

June 15, 2007

Superintendent and School Board  
Yazoo County School District

Compliance

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

I conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental 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, Yazoo County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

June 15, 2007

Superintendent and School Board  
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2006, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated June 15, 2007. 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 \$62,875 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 my 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.



Ardis D. Russell, C.P.A.

YAZOO COUNTY SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued on the basic financial statements.                  | Unqualified   |
| 2. Material noncompliance relating to the basic financial statements?                  | No            |
| 3. Internal control over financial reporting:  |               |
| a. Material weaknesses identified?   | No            |
| b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- |  |               |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs:   | Unqualified   |
| 5. Internal control over major programs:   |               |
| a. Material weaknesses identified?   | No            |
| b. Reportable conditions identified that are not considered to be material weaknesses?   | None Reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of Circular A-133?   | No            |
| 7. Federal program identified as major program:  |               |
| a. Child Nutrition Cluster   |               |
| CFDA # 10.553  |               |
| CFDA # 10.555  |               |
| 8. The dollar threshold used to distinguish between type A and type B programs   | \$300,000     |
| 9. Auditee qualified as low-risk auditee?  | Yes           |
| 10. Prior fiscal year audit findings and questioned costs 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 Statements Findings

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

Section 3: Federal Award Findings and Questioned Costs

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