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**Brookhaven School District
Financial Statements
For the Year Ended
June 30, 2005**

**Brookhaven School District
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Brookhaven School District

FINANCIAL AUDIT REPORT

Brookhaven School District

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

Superintendent and School Board
Brookhaven School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2005, which collectively comprise the Brookhaven School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Brookhaven School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

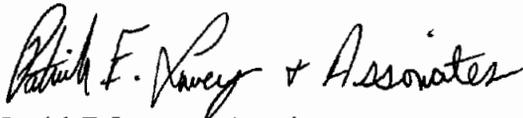
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Brookhaven School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005, on our consideration of the Brookhaven School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Brookhaven 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Patrick E. Lowery & Associates
Certified Public Accountants
December 13, 2005

Brookhaven School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Brookhaven School District

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Brookhaven School District

P.O. Box 540
Brookhaven, Mississippi 39602-0540



Lea Barrett
Superintendent

Deputy Superintendent
James V. Tillman, Ed.S.
Director of Instructional Programs
Federal Programs Coordinator
Marsha F. Bond
Finance Director
Susan Quin, CPA

The discussion and analysis of the Brookhaven School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$1,565,327, which represents a 13% increase from fiscal year 2004. This increase is due primarily to conservative budgeting during the fiscal year in anticipation of budget cuts as recommended by the Mississippi Department of Education. However, the budget cuts did not materialize and the increase in funds resulted in an increase in net assets.
- General revenues accounted for \$18,723,439 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,194,514, or 22% of total revenues.
- The District had \$22,349,627 in expenses; only \$5,194,514 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,723,439 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,528,839 in revenues and \$16,590,298 in expenditures. After net other financing sources of \$249,315, the General Fund's fund balance increased \$1,187,856 from the prior year. This increase is due primarily to conservative budgeting during the fiscal year in anticipation of budget cuts; however, the budget cuts did not materialize.
- Capital assets, net of accumulated depreciation, decreased by \$84,469.

Brookhaven School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

- Long-term debt decreased by \$620,184 due primarily to principal payments made during the fiscal year on existing long-term debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of

Brookhaven School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Brookhaven School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2005

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 \$13,692,878 as of June 30, 2005.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$10,074,181 of the District's net assets (74%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, 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. \$1,564,079 of the District's net assets (11%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$2,054,618 of the District's net assets (15%) reflects its unrestricted net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005, and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 5,240,324	\$ 3,856,193
Other assets	439,825	426,728
Capital assets, net	<u>18,244,181</u>	<u>18,328,650</u>
Total assets	<u>23,924,330</u>	<u>22,611,571</u>
Current liabilities	1,860,934	2,128,369
Long-term debt outstanding	<u>8,370,518</u>	<u>8,355,651</u>
Total liabilities	<u>10,231,452</u>	<u>10,484,020</u>
Net assets:		
Invested in capital assets, net of related debt	10,074,181	9,699,590
Restricted	1,564,079	1,747,701
Unrestricted	<u>2,054,618</u>	<u>680,260</u>
Total net assets	\$ <u>13,692,878</u>	\$ <u>12,127,551</u>

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

- Current assets increased from the previous fiscal year due primarily to an increase in amounts due from other governments, specifically the amount due from fiduciary funds

Brookhaven School District
 Management's Discussion and Analysis
 For the Year Ended June 30, 2005

in the amount of \$623,803 and the amount due from the federal government in the amount of \$399,224 related to the SCMCEED Grant.

- Current liabilities increased from the previous fiscal year due primarily to an increase in amounts due to other governments.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made on existing long-term debt.
- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the decrease in long-term debt related to the capital assets.
- Restricted net assets decreased from the previous fiscal year due primarily to a decrease in amounts restricted for school based activities.
- Unrestricted net assets increased from the previous fiscal year due primarily to the increase in the fund balance of the General Fund related to conservative budgeting during the fiscal year in anticipation of budget cuts; however, the budget cuts did not materialize.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005, were \$23,917,953. The total cost of all programs and services was \$22,349,627. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005, and comparative data for the fiscal year ended June 30, 2004.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues	\$ 5,194,514	\$ 4,614,078
General revenues	<u>18,723,439</u>	<u>17,311,789</u>
Total revenues	<u>23,917,953</u>	<u>21,925,867</u>
 Expenses:		
Instruction	13,087,541	12,256,041
Support services	7,154,506	7,282,317
Non-instructional	1,596,381	1,451,347
Sixteenth section	48,755	23,478
Interest and other expenses on long-term liabilities	<u>462,444</u>	<u>491,504</u>
Total expenses	<u>22,349,627</u>	<u>21,504,687</u>
 Prior period adjustments	<u>(2,999)</u>	<u>67,586</u>
 Increase in net assets	 <u>\$ 1,565,327</u>	 <u>\$ 488,766</u>

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

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Management's Discussion and Analysis
For the Year Ended June 30, 2005

- Program revenues increased from the previous fiscal year due primarily to an increase in charges for services and operating grants and contributions. Charges for daily food sales and admission to athletic events increased during the fiscal year. Also, the district received the SCMCEED Grant, which is a new grant for fiscal year 2005.
- General revenues increased from the previous fiscal year due primarily to an increase in taxes, unrestricted state and federal grants and contributions and sixteenth section sources.
- Instruction expenses increased from the previous fiscal year due primarily to the increase in teacher pay.

Governmental activities. The following table presents, for the fiscal year ended June 30, 2005, and comparative data for the fiscal year ended June 30, 2004, 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.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 13,087,541	\$ (10,190,529)	\$ 12,256,041	\$ (9,808,416)
Support services	7,154,506	(6,234,968)	7,282,317	(6,284,756)
Non-instructional	1,596,381	(268,360)	1,451,347	(283,298)
Sixteenth section	48,755	1,188	23,478	(22,635)
Interest on long-term liabilities	462,444	(462,444)	491,504	(491,504)
Total expenses	\$ 22,349,627	\$ (17,155,113)	\$ 21,504,687	\$ (16,890,609)

- The net cost of governmental activities for fiscal year 2005 in the amount of \$17,155,113 was financed by general revenue, which is made up of primarily property taxes of \$7,004,921 and state revenue of \$10,754,729.
- Investment earnings accounted for \$117,529 of funding.
- Sixteenth section sources in the amount of \$423,164 were generated during the fiscal year from sixteenth section leases, the sale of timber, the sale of nonrenewable resources and pro-rata revenue received from other school districts.

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.

Brookhaven School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

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, the unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$3,935,228. The net change in fund balance for the fiscal year was an increase of \$1,015,911. This increase is due primarily to conservative budgeting during the fiscal year in anticipation of budget cuts as recommended by the Mississippi Department of Education. However, the budget cuts did not materialize and the excess funds resulted in an increase in the District's fund balance. \$3,870,146, or 98%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$65,082, or 2%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, prepaid items, unemployment benefits, forestry improvements, capital project purposes, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was an increase of \$1,187,856 due primarily to conservative budgeting during the fiscal year. The net change in fund balance for the Other Governmental Funds for the fiscal year was a decrease of \$171,945 due to the deficiency of revenues over expenditures in various funds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for support services expenditures in the General Fund were decreased during the fiscal year. Expenditures were decreased in anticipation of possible budget cuts.
- Budgeted amounts for transfers into the General Fund were amended to actual transfers per the District's accounting records at year end. However, an adjustment was made to correct actual transfers in at the end of the fiscal year.
- The District received a SCMCEED Grant in fiscal year 2005. However, the receipt of funds was not originally expected until the next fiscal year. Therefore, revenues and expenditures related to this grant were not included in the original budget. The original

Brookhaven School District
Management's Discussion and Analysis
For the Year Ended June 30, 2005

budget was revised during the fiscal year to reflect the actual revenue received and expenditures incurred during the fiscal year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets, before depreciation, were \$23,386,362, including land, construction in progress, buildings, building improvements, mobile equipment and furniture and equipment. This amount represents a gross increase of \$417,881 from the previous year. During the fiscal year, the district incurred expenditures related to a new softball complex and track. The District also purchased some new bleachers, two school buses, a video conferencing system and various other items of mobile equipment and furniture and equipment. The district also disposed of several items of mobile equipment and furniture and equipment during the fiscal year. Total depreciation expense for the year was \$602,933. Total accumulated depreciation as of June 30, 2005 was \$5,142,181, resulting in total net assets of \$18,244,181.

Debt Administration. At June 30, 2005, the District had \$8,370,518 in general obligation bonds and other long-term debt outstanding, of which \$550,026 is due within one year. During the fiscal year, the district made principal payments in the amount of \$629,309 on existing long-term debt.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage rate did not increase or decrease significantly from the previous fiscal year. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Brookhaven School District, P. O. Box 540, Brookhaven, MS 39602-0540.

Brookhaven School District

FINANCIAL STATEMENTS

Brookhaven School District

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Brookhaven School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 3,621,167
Due from other governments	1,554,075
Inventories and prepaid items	65,082
Restricted assets	439,825
Capital assets, net (Note 5)	<u>18,244,181</u>
Total Assets	\$ <u>23,924,330</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 670,105
Due to other governments	1,050,210
Deferred revenue	24,606
Interest payable on long-term liabilities	116,013
Long-term liabilities, due within one year (Note 6)	
Capital related liabilities	540,000
Non-capital related liabilities	10,026
Long-term liabilities, due beyond one year (Note 6)	
Capital related liabilities	7,630,000
Non-capital related liabilities	<u>190,492</u>
Total Liabilities	\$ <u>10,231,452</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 10,074,181
Restricted net assets:	
Expendable:	
School - based activities	786,299
Debt service	196,603
Forestry improvements	84,656
Unemployment benefits	56,696
Non-expendable:	
Sixteenth section	439,825
Unrestricted	<u>2,054,618</u>
Total Net Assets	\$ <u>13,692,878</u>

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

Brookhaven School District
Statement of Activities
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 13,087,541	705,972	2,191,040	-	(10,190,529)
Support services	7,154,506	150,165	769,373	-	(6,234,968)
Non-instructional	1,596,381	340,407	987,614	-	(268,360)
Sixteenth section	48,755	49,943	-	-	1,188
Interest on long-term liabilities	462,444	-	-	-	(462,444)
Total governmental activities	\$ 22,349,627	1,246,487	3,948,027	0	(17,155,113)

General Revenues:

Taxes:	
General purpose levies	6,031,646
Debt purpose levies	973,275
Unrestricted grants and contributions:	
State	10,754,729
Federal	309,640
Unrestricted investment earnings	117,529
Sixteenth section sources	423,164
Other	113,456
Total General Revenues	18,723,439
Change in Net Assets	1,568,326
Net Assets - Beginning	12,127,551
Prior Period Adjustments	(2,999)
Net Assets - Restated	12,124,552
Net Assets - Ending	\$ 13,692,878

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

Brookhaven School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	SCMCEED Grant Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 2,301,056	-	1,759,936	4,060,992
Due from other governments	310,237	399,224	220,811	930,272
Due from other funds (Note 4)	632,875	-	19,340	652,215
Inventories and prepaid items	34,887	-	30,195	65,082
Total Assets	\$ 3,279,055	399,224	2,030,282	5,708,561
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 305,657	298,103	66,345	670,105
Due to other funds (Note 4)	769,904	101,121	207,597	1,078,622
Deferred revenue	-	-	24,606	24,606
Total Liabilities	1,075,561	399,224	298,548	1,773,333
Fund Balances:				
Reserved for:				
Inventory	22,686	-	30,195	52,881
Prepaid items	12,201	-	-	12,201
Unemployment benefits	-	-	56,696	56,696
Forestry improvements	-	-	84,656	84,656
Capital project purposes	-	-	51,642	51,642
Debt service purposes	-	-	312,616	312,616
Permanent fund purposes	-	-	439,825	439,825
Unreserved:				
Undesignated, reported in:				
General fund	2,168,607	-	-	2,168,607
Special Revenue funds	-	-	756,104	756,104
Total Fund Balances	2,203,494	-	1,731,734	3,935,228
Total Liabilities and Fund Balances	\$ 3,279,055	399,224	2,030,282	5,708,561

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

Brookhaven School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,935,228
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 \$5,142,181. (Note 5)	18,244,181
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows:	
Long-term liabilities (Note 6)	(8,370,518)
Accrued interest on debt	<u>(116,013)</u>
Total Net Assets - Governmental Activities	\$ <u><u>13,692,878</u></u>

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

Brookhaven School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	SCMCEED Grant Fund		
Revenues:				
Local sources	\$ 6,591,378	-	1,814,896	8,406,274
State sources	10,842,656	-	524,052	11,366,708
Federal sources	94,805	663,593	2,887,290	3,645,688
Sixteenth section sources	-	-	499,283	499,283
Total Revenues	<u>17,528,839</u>	<u>663,593</u>	<u>5,725,521</u>	<u>23,917,953</u>
Expenditures:				
Instruction	9,966,653	663,593	2,175,909	12,806,155
Support services	6,245,373	-	949,913	7,195,286
Noninstructional services	263,140	-	1,297,260	1,560,400
Sixteenth section	-	-	48,755	48,755
Facilities acquisition and construction	115,132	-	78,000	193,132
Debt service:				
Principal	-	-	629,309	629,309
Interest	-	-	465,670	465,670
Other	-	-	3,335	3,335
Total Expenditures	<u>16,590,298</u>	<u>663,593</u>	<u>5,648,151</u>	<u>22,902,042</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>938,541</u>	<u>-</u>	<u>77,370</u>	<u>1,015,911</u>
Other Financing Sources (Uses):				
Operating transfers in (Note 4)	1,835,130	-	49,523	1,884,653
Operating transfers out (Note 4)	(1,585,815)	-	(298,838)	(1,884,653)
Total Other Financing Sources (Uses)	<u>249,315</u>	<u>-</u>	<u>(249,315)</u>	<u>-</u>
Net Change in Fund Balances	1,187,856	-	(171,945)	1,015,911
Fund Balances:				
July 1, 2004, as previously reported	<u>1,015,638</u>	<u>-</u>	<u>1,896,539</u>	<u>2,912,177</u>
Increase (Decrease) in reserve for inventory	-	-	7,140	7,140
June 30, 2005	<u>\$ 2,203,494</u>	<u>-</u>	<u>1,731,734</u>	<u>3,935,228</u>

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

Brookhaven 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, 2005

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 1,015,911
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 \$530,323 and depreciation expense amounted to \$602,933. (Note 5)	(72,610)
2. Proceeds from the sale of assets are reported in governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the statement of activities.	(8,860)
3. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences	(9,125)
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the statement of activities recognizes interest as it accrues regardless of when it becomes due.	6,561
5. 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)	629,309
6. Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the statement of activities.	<u>7,140</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,568,326</u></u>

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

Brookhaven School District
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

		<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$	353,331
Due from other funds (Note 4)		<u>1,050,210</u>
Total Assets	\$	<u>1,403,541</u>
Liabilities		
Accounts payable and accrued liabilities	\$	779,738
Due to other funds (Note 4)		<u>623,803</u>
Total Liabilities	\$	<u>1,403,541</u>

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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Brookhaven since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district. The Brookhaven Leasing Authority ("the Authority") 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 Authority 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 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 of the Authority'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 (see Note 10).

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 nonexchange revenues.

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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

SCMCEED Grant Fund - This is a special revenue fund for receipts and expenditures of Distance Learning and Telemedicine Loans and Grants fund.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

prepaid items in both governmental and fund financial statements..

I. Capital Assets.

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

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 5 for details.

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

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

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

Reserved for capital projects - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for 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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

restricted.

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the Brookhaven School District has implemented Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,060,992 and \$353,331, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,621,167 and Restricted Assets \$439,825. The Restricted assets represents the cash balance of the 16th section Principal funds (Permanent Funds) which is legally

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

restricted and may not be used for purposes that support the district's programs. The bank balance was \$5,084,882.

Custodial Credit Risk-Deposits. Custodial risk is defined as the risk that, in the event of a 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 policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, \$4,984,882 of the district's bank balance of \$5,084,882 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Governmental funds:		
General fund	\$ 632,875	769,904
SCMCEED Grant Fund		101,121
Other governmental funds	19,340	207,597
 Fiduciary Funds	 1,050,210	 623,803
 Total Funds	 \$ 1,702,425	 1,702,425

The purpose of the interfund receivables and payables are to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Transfers In/Out.

	Transfer In	Transfers Out
Governmental funds:		
General fund	\$ 1,835,130	1,585,815
Other Governmental Funds	49,523	298,838
 Total Funds	 \$ 1,884,653	 1,884,653

The purposes of interfund transfers are to transfer federal program indirect costs to the General fund and to close out federal programs at year end. These transfers are consistent with the activities of the fund making the transfer.

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

(5) **Capital Assets.**

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 167,049					167,049
Construction in progress		193,132				193,132
Total non-depreciable capital assets	167,049	193,132				360,181
<u>Depreciable capital assets:</u>						
Buildings	19,621,928					19,621,928
Building improvements	275,905	39,030				314,935
Mobile equipment	1,762,329	117,019	(37,473)		(29,990)	1,811,885
Furniture and equipment	1,141,270	181,142	(44,979)			1,277,433
Total depreciable capital Assets	22,801,432	337,191	(82,452)		(29,990)	23,026,181
<u>Less accumulated depreciation for:</u>						
Buildings	(2,653,364)	(367,219)				(3,020,583)
Building improvements	(92,048)	(12,597)				(104,645)
Mobile equipment	(1,135,493)	(103,615)	33,726		26,991	(1,178,391)
Furniture and equipment	(758,926)	(119,502)	39,866			(838,562)
Total accumulated depreciation	(4,639,831)	(602,933)	73,592		26,991	(5,142,181)
Total depreciable capital assets, net	18,161,601	(265,742)	8,860		(2,999)	17,884,000
Governmental activities capital assets, net	\$ 18,328,650	(72,610)	8,860		(2,999)	18,244,181

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 433,483
Support services	127,442
Non-instructional	42,008
Total depreciation expense	\$ 602,933

The adjustments totaling \$2,999 to capital assets is due to assets removed from capital asset records and the changes in depreciation associated with those asset changes.

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

Commitments under construction contracts at June 30, 2005, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Softball Complex	\$ 179,182	0
Total	<u>\$ 179,182</u>	<u>0</u>

(6) Long-term liabilities.

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

	<u>Balance 7-1-2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2005</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable \$	6,690,000		(280,000)	6,410,000	300,000
B. Certificates of participation payable	1,285,000		(65,000)	1,220,000	70,000
C. Three mill notes payable	705,000		(165,000)	540,000	170,000
D. Shortfall notes payable	119,309		(119,309)		
E. Compensated absences payable	191,393	9,125		200,518	10,026
Total	<u>\$ 8,990,702</u>	<u>9,125</u>	<u>(629,309)</u>	<u>8,370,518</u>	<u>550,026</u>

A. General obligation bonds payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 2000	Varies	04-01-00	04-01-20	\$ 7,500,000	6,410,000
Total				<u>\$ 7,500,000</u>	<u>6,410,000</u>

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

Year Ending				
June 30	Principal	Interest	Total	
2006	\$ 300,000	349,807	649,807	
2007	315,000	330,308	645,308	
2008	330,000	309,833	639,833	
2009	350,000	289,208	639,208	
2010	370,000	271,708	641,708	
2011 – 2015	2,205,000	1,048,023	3,253,023	
2016 – 2020	2,540,000	400,280	2,940,280	
Total	\$ 6,410,000	2,999,167	9,409,167	

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 10.36% of property assessments as of October 1, 2003. This debt will be retired from the Bond Debt Service Fund.

B. Certificates of participation payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MAEP Bond Issue	Varies	01-01-98	07-17-17	\$ 2,560,000	1,220,000
Total				\$ 2,560,000	1,220,000

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 70,000	56,035	126,035
2007	70,000	52,920	122,920
2008	75,000	49,620	124,620
2009	80,000	46,015	126,015
2010	85,000	42,138	127,138
2011 - 2015	480,000	145,740	625,740
2016 - 2017	360,000	26,400	386,400
Total	\$ 1,220,000	418,868	1,638,868

This debt will be retired from the MAEP Debt Service Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	4.69%	06-01-98	06-01-08	\$ 1,550,000	540,000
Total				\$ 1,550,000	540,000

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

Year Ending June 30	Principal	Interest	Total
2006	170,000	25,326	195,326
2007	180,000	17,353	197,353
2008	190,000	8,911	198,911
Total	\$ 540,000	51,590	591,590

This debt will be retired from the Capital Improvement Loan Fund - Debt Service Fund.

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

D. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
	4.79%	06-25-02	06-25-05	357,926	0
Total				\$ 357,926	0

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 9.75% 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, 2005, 2004, and 2003 were \$1,203,137, \$1,170,063, and \$1,086,508, 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 there from 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.

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

	<u>Year Ending</u> <u>June 30</u>		<u>Amount</u>
	2006	\$	16,210
	2007		14,331
	2008		12,316
	2009		6,899
	2010		6,749
	2011 – 2015		2,843
	2016 – 2020		483
	2021 – 2025		483
	2026 – 2030		483
	2031 – 2035		483
	2036 – 2040		483
	2041 – 2045		1,466
	Total	\$	63,229

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1. An adjustment to correct capital asset balances-see details in Note 5		2,999
	Total	\$ 2,999

(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. 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 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, 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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Trust Certificates.

A trust agreement dated January 1, 1998, was executed by and between the school district and Trustmark National Bank of Brookhaven, as trustees. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,560,000 to provide financing for the construction and renovation of school buildings and related facilities and equipment.

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 6 (B) 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 effects of the lease agreement for financial reporting purposes.

(12) Vocational School Consortium.

The school district entered into a Vocational Educational Agreement dated November 19, 1998 creating the Brookhaven-Lincoln County Regional Vocational Education Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Brookhaven School District and Lincoln County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

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

Brookhaven School District
Notes to Financial Statements
For the Year Ended June 30, 2005

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Brookhaven-Lincoln County Regional Vocational Education Center.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2005

Revenues	
Local sources	
Taxes	\$ 352,211
Tuition from other LEA's within the state:	
Lincoln County School District	150,165
Total tuition from other LEA's within the state	<u>150,165</u>
Total local sources	<u>502,376</u>
State sources	342,999
Federal sources	44,922
Total Revenues	<u>890,297</u>
Expenditures	
Salaries	732,076
Employee benefits	191,011
Purchased professional and technical services	280
Purchased property services	43,928
Other purchased services	12,004
Supplies	44,564
Property	61,138
Other	858
Total Expenditures	<u>1,085,859</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(195,562)</u>
Other Financing Sources/Uses:	
Operating Transfers In	302,564
Operating Transfers Out	(12,372)
Total Other Financing Sources/Uses	<u>290,192</u>
Net Change in Fund Balance	<u>94,630</u>
Fund Balance:	
July 1, 2004	(79,688)
June 30, 2005	\$ <u><u>14,942</u></u>

Brookhaven School District

REQUIRED SUPPLEMENTARY INFORMATION

Brookhaven School District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,572,421	\$ 6,591,378	\$ 6,591,378	\$ 18,957	-
State sources	10,829,993	10,839,388	10,842,656	9,395	3,268
Federal sources	77,559	94,500	94,805	16,941	305
Total Revenues	<u>17,479,973</u>	<u>17,525,266</u>	<u>17,528,839</u>	<u>45,293</u>	<u>3,573</u>
Expenditures:					
Instruction	9,909,475	9,974,497	9,966,653	(65,022)	7,844
Support services	6,506,742	6,297,525	6,245,373	209,217	52,152
Noninstructional services	258,050	263,140	263,140	(5,090)	-
Facilities acquisition and construction	-	115,132	115,132	(115,132)	-
Total Expenditures	<u>16,674,267</u>	<u>16,650,294</u>	<u>16,590,298</u>	<u>23,973</u>	<u>59,996</u>
Excess (Deficiency) of Revenues Over Expenditures					
	<u>805,706</u>	<u>874,972</u>	<u>938,541</u>	<u>69,266</u>	<u>63,569</u>
Other Financing Sources (Uses):					
Operating transfers in	1,304,406	2,335,130	1,835,130	1,030,724	(500,000)
Operating transfers out	<u>(2,092,490)</u>	<u>(2,085,815)</u>	<u>(1,585,815)</u>	<u>6,675</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>(788,084)</u>	<u>249,315</u>	<u>249,315</u>	<u>1,037,399</u>	<u>-</u>
Net Change in Fund Balances					
	<u>17,622</u>	<u>1,124,287</u>	<u>1,187,856</u>	<u>1,106,665</u>	<u>63,569</u>
Fund Balances:					
July 1, 2004			<u>1,015,638</u>		
June 30, 2005			<u>\$ 2,203,494</u>		

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

Brookhaven School District
 Budgetary Comparison Schedule
 SCMCEED Grant Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	-	663,593	663,593	663,593	-
Total Revenues	-	663,593	663,593	663,593	-
Expenditures:					
Instruction	-	663,593	663,593	(663,593)	-
Total Expenditures	-	663,593	663,593	(663,593)	-
 Excess (Deficiency) of Revenues Over Expenditures	 - -	 - -	 - -	 - -	 - -
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
 Net Change in Fund Balances	-	-	-	-	-
 Fund Balances:					
July 1, 2004			-		
June 30, 2005			\$ -		

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

Brookhaven School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Brookhaven School District

SUPPLEMENTAL INFORMATION

Brookhaven School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 83,405
Child nutrition cluster:		
School breakfast program	10.553	212,317
National school lunch program	10.555	695,874
Summer food service program for children	10.559	28,775
Total child nutrition cluster		<u>936,966</u>
Special supplemental nutrition program for women, infants and children	10.557	<u>23,536</u>
Direct Award		
Distance learning and telemedicine loans and grants	10.855	663,593
Total U.S. Department of Agriculture		<u>1,707,500</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	856,232
Vocational education - basic grants to states	84.048	44,922
Safe and drug-free schools and communities - state grants	84.186	24,449
State grants for innovative programs	84.298	7,827
Education technology state grants	84.318	24,872
Transition to teaching	84.350	1,400
Rural education	84.358	96,185
Improving teacher quality - state grants	84.367	276,069
Total		<u>1,331,956</u>
Special education cluster:		
Special education - grants to states	84.027	490,960
Special education - preschool grants	84.173	21,294
Total		<u>512,254</u>
Total passed-through Mississippi Department of Education		<u>1,844,210</u>
Total U.S. Department of Education		<u>1,844,210</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	48,135
Total Other Federal Assistance		<u>48,135</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund.	32.XXX	18,340
Total Federal Communications Commission		<u>18,340</u>
Total for All Federal Awards		<u>\$ 3,618,185</u>

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.
3. The pass-through entities did not assign identifying numbers to the school district.

Brookhaven School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,723,471	11,114,720	2,105,330	2,503,421
Other	7,178,571	1,691,435	294,291	5,192,845
Total	\$ 22,902,042	12,806,155	2,399,621	7,696,266
Total number of students *	2,944			
Cost per student \$	7,779	4,350	815	2,614

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

Instruction - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type - all the 1000 functional codes

Administrative - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - School Administration (2400s); and Support Services - Business (2500s)

Other - includes all expenditure functions not included in Instruction or Administrative

Brookhaven School District

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

Brookhaven School District

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

December 13, 2005

Superintendent and School Board
Brookhaven School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2005, which collectively comprise the Brookhaven School District's basic financial statements and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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.

Patrick E. Lowery and Associates

Patrick E. Lowery & Associates
Certified Public Accountants
December 13, 2005

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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

Superintendent and School Board
Brookhaven School District

Compliance

We have audited the compliance of the Brookhaven 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, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

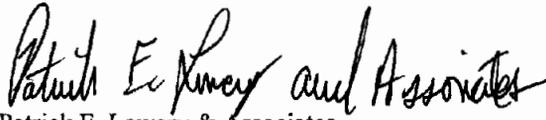
In our opinion, Brookhaven School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, 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. We noted no matters involving internal control over compliance and its operation that we 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.



Patrick E. Lowery & Associates
Certified Public Accountants
December 13, 2005

Brookhaven School District

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

Brookhaven School District

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

Superintendent and School Board
Brookhaven School District

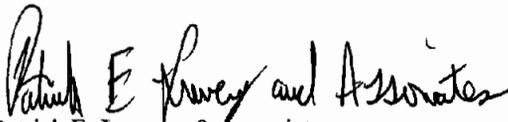
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Brookhaven School District as of and for the year ended June 30, 2005, which collectively comprise Brookhaven School District's basic financial statements and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$31,278.00 of classroom supply funds carried over from previous years.

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

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



Patrick E. Lowery & Associates
Certified Public Accountants
December 13, 2005

Brookhaven School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Brookhaven School District

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Brookhaven School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Special Education Cluster
CFDA # 84.027
CFDA # 84.173 | |
| b. | Distance Learning and Telemedicine Loans and Grants
CFDA # 10.855 | |
| c. | Child Nutrition Cluster
CFDA # 10.553
CFDA # 10.555
CFDA # 10.559 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

Brookhaven School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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