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Calhoun County School District

Audited Financial Statements
June 30, 2005

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

FINANCIAL AUDIT REPORT

Calhoun County School District
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INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTAL INFORMATION

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

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

September 19, 2005
Superintendent and School Board
Calhoun County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2005, which collectively comprise the Calhoun County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Calhoun 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 opinions.

In my opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County 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*, I have also issued my report dated September 19, 2005 on my consideration of the Calhoun County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 44 through 49 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Calhoun County School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures - Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

CALHOUN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of Calhoun County 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 a new 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.

FINANCIAL HIGHLIGHTS

- Total net assets increased $290,971, which represents a 4% increase from fiscal year 2004.

- General revenues account for $13,056,581, or 76% of all revenues. This amount was less than the general revenues for the year 2004, which consisted of $14,041,357, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $4,036,673, 24 % of total revenues compared to $3,921,107 in 2004.

- The district had $16,802,285 in expenses, amount that lightly decreased when compared with the $16,903,700 in expenses for the prior year; only $4,036,673 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of $13,056,581 were adequate to provide for these programs.

- Among major funds, the General Fund had $13,215,158 in revenues and $12,995,496 in expenditures. In 2004 the General Fund had $12,861,833 in revenues and $12,717,138 in expenditures. The General Fund's fund balance increased by $170,962 primarily due to an increase in ad valorem tax revenue. Of this increase $116,372 was escrowed at year end as revenue not available for use in FY 2005. This escrow calculation is required annually by state law.

- Capital assets, net of accumulated depreciation, decreased by $81,056 due primarily to disposals of assets no longer useful to the District during FY 2005.

- Long-term debt decreased by $313,227.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

> **Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds

Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. 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 22 and 26, respectively.

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.

The basic governmental fund financial statements can be found on pages 20 and 24 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 comprised of the Payroll Clearing Fund, Club Funds, Accounts Payable Clearing Funds, and the Bert Johnson Scholarship Fund. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 27.

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 29-43 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 44-49 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - governmental funds will be found right after the schedule of federal awards, required by OMB Cir. A-133. The schedule of federal awards can be found on page 51 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 $7,686,141 as of June 30, 2005.

By far the largest portion of the District's net assets (81%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.
The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

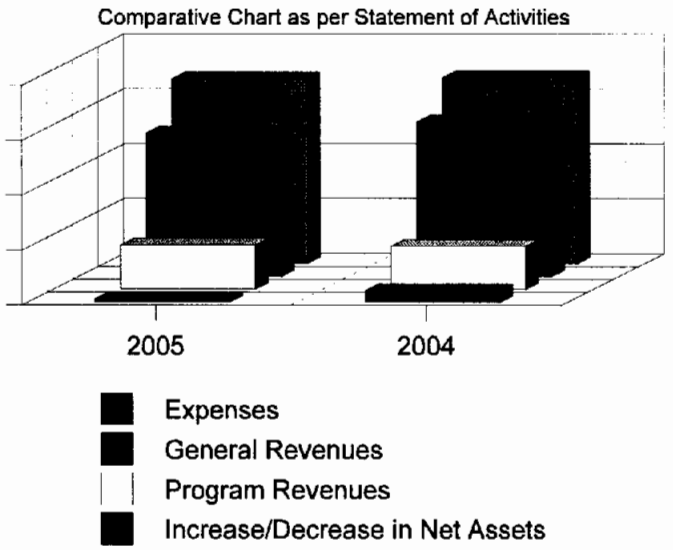
	2005	2004
Assets		
Current assets	$ 2,962,046	$ 2,789,691
Capital assets, net	10,056,767	10,137,823
Total assets	13,018,813	12,927,514
Liabilities		
Current liabilities	239,515	125,860
Long-term debt outstanding	5,093,157	5,406,384
Total liabilities	5,332,672	5,532,244
Net assets:		
Invested in capital assets, net of related debt	6,191,767	6,077,823
Restricted	1,392,981	1,429,158
Unrestricted	101,393	(111,811)
Total net assets	$ 7,686,141	$ 7,395,170

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

- The principal retirement of $305,000 of long-term debt.
- The addition of $241,660 in depreciable capital assets.

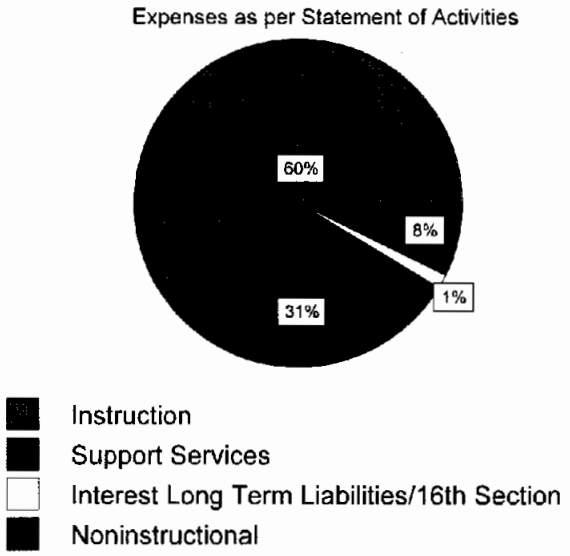
Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were $17,093,254. The total cost of all programs and services was $16,802,285. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	2005	2004
Revenues:		
Program revenues	$ 4,036,673	$ 3,921,107
General revenues	13,056,581	14,041,357
Total revenues	17,093,254	17,962,464
Expenses:		
Instruction	10,055,133	9,687,629
Support services	5,255,037	5,765,519
Non-instructional	1,260,911	1,245,745
Interest on long-term liabilities	225,617	204,807
Sixteenth Section	5,587	0
Total expenses	16,802,285	16,903,700
Increase (Decrease) in net assets	$ 290,971	$ 1,058,764



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

	Total Expenses	Net(Expense) Revenue
Instruction	$ 10,055,133	$ (7,648,714)
Support services	5,255,037	(5,214,490)
Non-instructional	1,260,911	328,796
Sixteenth Section	5,587	(5,587)
Interest on long-term liabilities	225,617	(225,617)
Total expenses	**$ 16,802,285**	**$ (12,765,612)**



- Net cost of governmental activities ($12,765,612), was financed by general revenue, which is made up of primarily property taxes ($2,306,933) and state revenue ($10,424,775).

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 $2,815,368, an increase of $51,663. $2,667,236 or 95% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved general funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. For example, debt service fund balance is to be used to retire the District's debt. The remaining fund balance of $148,132 or 5% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $170,962. The fund balance of Other Governmental

Funds showed a decrease of $119,299.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from local sources in the General Fund were increased primarily due to ad valorem tax revenue being more than anticipated.

- Budget amounts for expenditures are amended as funding sources/amounts change. In FY 05 more federal funding was approved for EHA, IDEA, Part B than was originally budgeted.

- Budget amounts for revenue from state sources in the General Fund were increased primarily due to a change in accounting for vocational education revenue in the General Fund 1120 rather than in the Special Revenue Fund 2711 as in prior years and as originally planned for FY 05.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, the Title I - A Basic Fund, and EHA - IDEA Part B Grant 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 were $16,653,159, including land, school buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of $223,375 from the previous year. Total accumulated depreciation as of June 30, 2005 was $6,596,392 and total depreciation expense for the year was $373,512, resulting in total net capital assets of $10,056,767.

Additional information of the District's capital assets can be found in Note 4 on page 38 of this report.

Debt Administration. At June 30, 2005, the District had $0 in general obligation bonds outstanding and $5,093,157 other long-term debt outstanding, of which $334,816 is due within one year.

The District maintains a AA bond rating.
Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

CURRENT ISSUES

The Calhoun County District is financially stable and has experienced stable, even slightly

increasing enrollment since FY 2001. The Monthly Attendance Record submitted to the Mississippi Department of Education for Month 9, FY 05, shows enrollment to be 2,527 students. The District is proud of its community support of the public schools.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Calhoun County School District, 119 West Main Street, P. O. Box 58, Pittsboro, MS 38951 .

FINANCIAL STATEMENTS

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets	
Cash and cash equivalents	$ 1,994,318
Investments	112,542
Due from other governments	823,426
Inventories and prepaid items	31,760
Capital assets, net	10,056,767
Total Assets	13,018,813
Liabilities	
Accounts payable and accrued liabilities	146,679
Interest payable on long-term liabilities	92,836
Long-term liabilities (due within one year):	
Capital related liabilities	205,000
Non-capital related liabilities	129,816
Long-term liabilities (due beyond one year)	
Capital related liabilities	3,660,000
Non-capital related liabilities	1,098,341
Total Liabilities	5,332,672
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	6,191,767
Restricted For:	
School - based activities	674,101
Debt Service	588,237
Capital Improvements	24,431
Forestry Improvements	53,315
Unemployment Benefits	52,897
Unrestricted	101,393
Total Net Assets	**$ 7,686,141**

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government					
Governmental Activities:					
Instruction	10,055,133	492,325	1,837,216	76,878	(7,648,714)
Support services	5,255,037	--	40,547	--	(5,214,490)
Noninstructional services	1,260,911	316,492	1,273,215	--	328,796
Sixteenth section	5,587	--	--	--	(5,587)
Interest on long-term liabilities	225,617	--	--	--	(225,617)
Total Primary Government	$ 16,802,285	$ 808,817	$ 3,150,978	$ 76,878	(12,765,612)

General Revenues:	
Taxes:	
General purpose levies	2,095,729
Debt purpose levies	211,204
Unrestricted grants and contributions:	
State	10,424,775
Federal	121,656
Unrestricted investment earnings	25,262
Sixteenth section sources	14,737
Other	163,218
Total general revenues	13,056,581
Change in Net Assets	290,971
Net Assets - Beginning	7,395,170
Net Assets - Ending	$ 7,686,141

The accompanying notes are an integral part of this statement.

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CALHOUN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Title I A Basic -
ASSETS		
Cash and cash equivalents	$ 903,117	$ --
Investments	--	--
Due from other governments	143,483	149,381
Due from other funds	467,665	--
Inventories and prepaid items	14,517	--
Total Assets	**$ 1,528,782**	**$ 149,381**
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued liabilities	$ 123,247	$ 150
Due to other funds	--	149,231
Total Liabilities	123,247	149,381
Fund balances:		
Reserved for:		
Inventory	--	--
Prepaid items	14,517	--
Ad valorem	116,372	--
Unreserved, undesignated, reported in:		
General fund	1,274,646	--
Special Revenue funds	--	--
Capital projects funds	--	--
Debt service funds	--	--
Total Fund Balances	1,405,535	--
Total Liabilities and Fund Balances	**$ 1,528,782**	**$ 149,381**

The accompanying notes are an integral part of this statement.

EHA IDEA Part B	Other Governmental Funds	Total Governmental Funds
$ --	$ 1,090,900	$ 1,994,017
--	112,542	112,542
139,636	390,926	823,426
--	--	467,665
--	17,243	31,760
$ 139,636	$ 1,611,611	$ 3,429,410
$ 1,199	$ 21,781	$ 146,377
138,437	179,997	467,665
139,636	201,778	614,042
--	17,243	17,243
--	--	14,517
--	--	116,372
--	--	1,274,646
--	785,661	785,661
--	24,431	24,431
--	582,498	582,498
--	1,409,833	2,815,368
$ 139,636	$ 1,611,611	$ 3,429,410

EXHIBIT C-1

CALHOUN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balances - governmental funds balance sheet	$	2,815,368
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		10,056,767
Payables for bond principal which are not due in the current period are not reported in the funds.		(3,660,000)
Payables for bond interest which are not due in the current period are not reported in the funds.		(92,836)
Payables for notes which are not due in the current period are not reported in the funds.		(965,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(133,341)
Liabilities due in one year		(334,816)
Rounding difference		(1)
Net assets of governmental activities - statement of net assets	$	7,686,141

The accompanying notes are an integral part of this statement.

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CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Title I A Basic -
Revenue:		
Local sources	$ 2,722,768	$ --
State sources	10,325,725	--
Federal sources	166,665	631,853
Sixteenth section sources	--	--
Total revenues	13,215,158	631,853
Expenditures:		
Instruction	8,530,268	444,894
Support services	4,318,191	68,786
Noninstructional services	144,219	7,956
Sixteenth section	--	--
Facilities acquisition and construction	2,818	--
Debt service:		
Principal	--	--
Interest	--	--
Total expenditures	12,995,496	521,636
Excess (deficiency) of revenues (over) expenditures	219,662	110,217
Other financing sources (uses):		
Operating transfers in	387,062	--
Other financing sources	40,231	--
Operating transfers out	(433,924)	(110,217)
Other financing uses	(42,069)	--
Total other financing sources (uses)	(48,700)	(110,217)
Net change in fund balance	170,962	--
Fund Balances:		
July 1, 2004	1,234,573	--
Increase (decrease) in reserve for inventory	--	--
June 30, 2005	$ 1,405,535	$ --

The accompanying notes are an integral part of this statement.

EHA IDEA Part B	Other Governmental Funds	Total Governmental Funds
$ --	$ 539,833	$ 3,262,601
21,310	520,128	10,867,163
591,487	1,517,119	2,907,124
--	14,737	14,737
612,797	2,591,817	17,051,625
255,132	357,869	9,588,163
346,469	567,189	5,300,635
--	1,066,804	1,218,979
--	5,587	5,587
--	337,296	340,114
--	305,000	305,000
--	238,818	238,818
601,601	2,878,563	16,997,296
11,196	(286,746)	54,329
--	305,603	692,665
--	--	40,231
(11,196)	(137,328)	(692,665)
--	(828)	(42,897)
(11,196)	167,447	(2,666)
--	(119,299)	51,663
--	1,527,733	2,762,306
--	1,399	1,399
$ --	$ 1,409,833	$ 2,815,368

EXHIBIT D-1

CALHOUN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	$	51,663
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		340,114
The depreciation of capital assets used in governmental activities is not reported in the funds.		(373,512)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.		(47,658)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		305,000
(Increase) decrease in accrued interest from beginning of period to end of period		5,739
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		8,227
Change in inventory from beginning to end of period reported in the funds but not in the SOA		1,399
Rounding difference		(1)
Change in net assets of governmental activities - statement of activities	$	290,971

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-purpose Trust Fund	
	Bert Johnson Scholarship Fund	Agency Funds
Assets:		
Cash and cash equivalents	$ 2,500	$ 789,359
Total Assets	$ 2,500	$ 789,359
Liabilities:		
Accounts payable and accrued liabilities		$ 713,189
Due to student clubs		76,170
Total Liabilities		$ 789,359
Net Assets		
Reserved for endowments	$ 2,500	
Total Net Assets	$ 2,500	

The accompanying notes are an integral part of this statement.

EXHIBIT F

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Private-Purpose Trusts
Additions:	
Investment Income	$ --
Donations from Private Sources	5,000
Employer Contributions	--
Plan Member Contributions	--
Total Additions	5,000
Deductions:	
Scholarship Awards	7,500
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	7,500
Change in Net Assets	(2,500)
Net Assets-Beginning of the Year	5,000
Net Assets-End of the Year	$ 2,500

The accompanying notes are an integral part of this statement.

Calhoun County School District

Notes to the Financial Statements
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 a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements

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

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

each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

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

EHA, IDEA Part B Fund - This fund accounts for the transactions of the

special education grants to states program.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the "Financial Accounting Manual for Mississippi Public School Districts" issued by the Office of the State Auditor. The classifications in that manual 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 consist of amounts on deposit in demand account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale 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 amounts 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 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. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column of the government-wide statement of net assets. (See **Note (5)** for details).

K. Interfund Transactions and Balances.

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

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

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

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, construction, or improvement of those assets.

2. Restricted net assets- Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets- All other net assets that do not meet the definition of "restricted", or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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

Reserved for Ad Valorem - Reserved for ad valorem - An account used to record the ad valorem taxes collected in excess of legal limitations for the current fiscal year.

M. Property Taxes.

Ad valorem property taxes are levied by the governing authorities of the county on behalf of the school district based upon an order adopted by the school board of the

school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by policy of the school district. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so 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 only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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 district's deposits with financial institutions reported in governmental funds and fiduciary funds was $1,994,017, and $791,859 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents $1,994,318. The bank balance was $3,940,524.24.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district

does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of $3,940,524.24 was exposed to custodial credit risk.

Investments.

As of June 30, 2005, the district had the following investments in the Hancock Bank's Trust Department investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
Treasury Securities Money Market Funds	N/A	$ 112,542	A
Total Investments		$ 112,542	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, $112,542 of the district's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	0
Uninsured and collateral held by pledging bank's trust department not in the district's name	112,542
Total	$ 112,542

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, 2005, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Hancock Horizon Treasury Sec. Money Market Cl A	112,542	100%

	$ 112,542

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Major funds:	Due From	Due To
General Fund	$ 467,665	$ 0
Title I - A Basic FYE 2003	0	149,231
EHA IDEA Part B Grant	0	138,437
Non-Major funds	0	179,997
Total Funds	$467,665	$467,665

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

B. Transfers In/Out

	Transfers In	Transfers Out
Major funds:		
General Fund	$ 387,062	$ 433,924
Title I - A Basic FYE 2003	0	110,217
EHA - IDEA Part B Grant	0	11,196
Non-major Funds	305,603	137,328
Total Funds	$ 692,665	$ 692,665

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

(4) Capital Assets.

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

	Balance 7-01-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
Non-depreciable capital assets:						
Land	$ 65,170					65,170
Construction in progress	18,285			(18,285)		0

	Balance 7-01-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
Total non-depreciable capital assets	83,455	0	0	(18,285)	0	65,170
Depreciable capital assets:						
Buildings	13,557,395	198,224		18,285		13,773,904
Improvements other than buildings	279,007	0				279,007
Mobile equipment	1,869,882	120,300				1,990,182
Furniture and equipment	640,045	21,590	116,739			544,896
Total depreciable capital assets	16,346,329	340,114	116,739	18,285	0	16,587,989
Less accumulated depreciation for:						
Buildings	4,423,384	228,259			0	4,651,643
Improvements other than buildings	223,206	0				223,206
Mobile equipment	1,240,957	103,392				1,344,349
Furniture and equipment	404,414	41,861	69,081			377,194
Total accumulated depreciation	6,291,961	373,512	69,081	0	0	6,596,392
Total depreciable capital assets, net	10,054,368	(33,398)	47,658	18,285	0	9,991,597
Governmental activities capital assets, net	$ 10,137,823	(33,398)	47,658	0	0	10,056,767

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	$ 261,459
Support Services	74,702
Non-instructional	37,351
Total depreciation expense	$ 373,512

(5) Long-term liabilities.

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

		Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A.	Limited obligation bonds payable	4,060,000		195,000		3,865,000	205,000
B.	Three mill notes payable	1,190,000		110,000		1,080,000	115,000
C.	Compensated absences payable	156,384		8,227		148,157	14,816
						0	

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
Total	$ 5,406,384	0	313,227	0	5,093,157	334,816

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
MAEP Capital Improvement	varies	06/98	02/18	$4,625,000	$3,865,000

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

Year Ending June 30,	Principal	Interest	Total
2006	205,000	182,691	387,691
2007	215,000	170,860	385,860
2008	225,000	157,660	382,660
2009	235,000	143,978	378,978
2010	245,000	131,655	376,655
2011-2015	1,420,000	472,883	1,892,883
2016-2020	1,320,000	110,475	1,430,475
Total	$3,865,000	$1,370,202	$5,235,202

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi 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 fund 4041 (MAEP Retirement Fund).

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ltd. Tax Note	4.02%	9/5/02	9/1/12	1,300,000	1,080,000

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

Year Ending June 30,	Principal	Interest	Total
2006	$115,000	$41,105	$156,105
2006	120,000	36,381	156,381
2008	125,000	31,457	156,457
2009	130,000	26,331	156,331
2010	140,000	20,904	160,904
2011-2013	450,000	27,537	477,537
Total	$1,080,000	$183,715	$1,263,715

This debt will be retired from the three mill fund.

C. Compensated Absences.

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

(6) 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 $951,835, $879,083, and $784,247, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30,	Amount
2006	4,472
2007	4,472
2008	4,392
2009	4,392
2010	2,949
2011-2015	10,115
2016-2020	12,643
2021-2025	12,643
2026-Thereafter	14,023
Total	$70,101

(8) Risk Management.

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

Participation in Public Entity Risk Pool.
The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately ninety school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorpsouth in Jackson, Mississippi. 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 districts would

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

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 1

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,587,064	2,716,317	2,722,768	129,253	6,451
State sources	10,027,836	10,328,246	10,325,725	300,410	(2,521)
Federal sources	188,671	201,390	166,665	12,719	(34,725)
Total Revenues	12,803,571	13,245,953	13,215,158	442,382	(30,795)
Expenditures:					
Instruction	8,822,970	8,807,714	8,530,268	15,256	277,446
Support services	4,472,533	4,847,878	4,318,191	(375,345)	529,687
Noninstructional services	233,646	173,549	144,219	60,097	29,330
Facilities acquisition and construction	0	0	2,818	0	(2,818)
Debt Service					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total Expenditures	13,529,149	13,829,141	12,995,496	(299,992)	833,645
Excess (Deficiency) of Revenues Over Expenditures	(725,578)	(583,188)	219,662	742,374	802,850
Other Financing Sources (Uses):					
Transfers In	60,000	383,367	387,062	323,367	3,695
Other Financing Sources	0	47,331	40,231		(7,100)
Other Financing Uses	0	(47,231)	(42,069)	(47,231)	5,162
Transfers out	(27,063)	(446,828)	(433,924)	(419,765)	12,904
Total Other Financing Sources (Uses)	32,937	(63,361)	(48,700)	(143,629)	14,661
Net Change in Fund Balances	(692,641)	(646,549)	170,962	598,745	817,511
Fund Balances:					
July 1, 2004	370,337	588,022	1,234,573	217,685	646,551
Prior period adjustments					0
July 1, 2004, as restated	370,337	588,022	1,234,573	217,685	646,551
					0
June 30, 2005	$ (322,304)	(58,527)	1,405,535	(380,831)	1,464,062

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I - A Basic Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 0	0	0	0	0
Federal sources	767,495	701,703	631,853	(65,792)	(69,850)
Total Revenues	767,495	701,703	631,853	(65,792)	(69,850)
Expenditures:					
Instruction	369,304	458,010	444,894	(88,706)	13,116
Support services	236,934	115,933	68,786	121,001	47,147
Noninstructional	1,986	8,332	7,956	(6,346)	376
Total Expenditures	608,224	582,275	521,636	25,949	60,639
Excess (Deficiency) of Revenues Over Expenditures	159,271	119,428	110,217	(91,741)	(9,211)
Other Financing Sources (Uses):					
Operating transfers in				0	0
Operating transfers out	(159,270)	(119,428)	(110,217)	0	(9,211)
Total Other Financing Sources (Uses)	(159,270)	(119,428)	(110,217)	0	(9,211)
				0	0
Net Change in Fund Balances	1	0	0	1	0
Fund Balances:					
July 1, 2004	0	0	0	0	0
June 30, 2005	$ 1	0	0	1	0

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

CALHOUN COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule

EHA IDEA Part B Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 37,000	0	0	(37,000)	0
State sources	57,904	26,868	21,310	(31,036)	(5,558)
Federal sources	571,825	704,021	591,487	132,196	(112,534)
Total Revenues	666,729	730,889	612,797	64,160	(118,092)
Expenditures:					
Instruction	324,485	288,737	255,132	35,748	33,605
Support services	342,244	429,822	346,469	(87,578)	83,353
Total Expenditures	666,729	718,559	601,601	(51,830)	116,958
Excess (Deficiency) of Revenues Over Expenditures	0	12,330	11,196	115,990	(1,134)
Other Financing Sources (Uses):					
Operating Transfers out	0	(12,330)	(11,196)	(12,330)	(1,134)
Total Other Financing Sources (Uses)	0	(12,330)	(11,196)	(12,330)	(1,134)
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2004	0	0	0	0	0
June 30, 2005	$ 0	0	0	0	0

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Calhoun County 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, and variances between the original budget and the final budget.

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Calhoun County School District **Schedule 1**

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. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	$67,357
Child Nutrition Cluster:		
School Breakfast Program	10.553	263,614
National School Lunch Program	10.555	645,598
Total child nutrition cluster		909,212
Total passed-through the MDE		976,569
TOTAL U. S. DEPARTMENT OF AGRICULTURE		976,569
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Board for Community and Junior Colleges:		
Adult Education - State Grant Program	84.002	109,393
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	631,852
Vocational Education - Basic Grant to States	84.048	33,009
Safe and Drug Free Schools and Communities - State Grants	84.186	17,703
State Grants for Innovative Programs	84.298	13,926
Education Technology State Grants	84.318	213,691
Rural Education	84.358	92,646
Special Education Cluster:		
Special Education - Grants to States	84.027	656,894
Special Education - Preschool Grants	84.173	26,250
Total special education cluster		683,144
Total passed-through the MDE		1,795,364
TOTAL U. S. DEPARTMENT OF EDUCATION		1,795,364
TOTAL FOR ALL FEDERAL AWARDS		$2,771,933

Notes to Schedule

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

Calhoun County School District **Schedule 2**

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

Expenditures		Total	Instruction	Administrative	Other
Salaries and fringe benefits	$	12,864,462	8,982,157	1,278,754	2,603,551
Other		4,132,834	606,006	162,731	3,364,097
Total	$	16,997,296	9,588,163	1,441,485	5,967,648
Total number of students *		2,527			
Cost per student	$	6,726	3,794	570	2,362

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

September 19, 2005
Superintendent and School Board
Calhoun County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2005, which collectively comprise Calhoun County School District's basic financial statements and have issued my report thereon dated September 19, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

September 19, 2005
Superintendent and School Board
Calhoun County School District

Compliance

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

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

In my opinion, the Calhoun 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, 2005.

Internal Control Over Compliance

The management of the Calhoun 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 condition in which

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

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

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

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

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

September 19, 2005
Superintendent and School Board
Calhoun County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2005, which collectively comprise Calhoun County School District's basic financial statements and have issued my report thereon dated September 19, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of my procedures to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $139.38 classroom supply funds carried over from previous years.

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

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

J.E. Fortenberry, III, PC
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Calhoun County 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:
   (1) Material weaknesses identified? No.
   (2) Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.

5. Internal control over major programs:
   a. Material weaknesses identified? No.
   b. Reportable conditions identified that are not considered to be material weaknesses? No.

6. Any audit findings reported as required by Section___.510(a) of OMB Circular A-133? No.

7. Federal programs identified as major programs:

   a. Child Nutrition Cluster:
      CFDA# 10.553
      CFDA# 10.555

   b. Title I Grants to Local Educational Agencies.
      CFDA# 84.010

   c. Special Education Cluster
      CFDA# 84.027
      CFDA# 84.173

8. The dollar threshold used to distinguish between Type A and Type B programs was: $300,000.

9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would

require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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