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CHICKASAW COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2005

CHICKASAW COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2005, which collectively comprise the Chickasaw County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chickasaw County 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 Chickasaw 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*, we have also issued our report dated November 3, 2005, on our consideration of the Chickasaw County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 our audit.

The Management's Discussion and Analysis on pages 6 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 40 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 inquires 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 Chickasaw 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 3, 2005
Tupelo, Mississippi

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of Chickasaw 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.

FINANCIAL HIGHLIGHTS

- Total net assets for 2005 increased \$40,109, which represents a 2% increase from fiscal year 2004. Total net assets for 2004 increased \$783,451, which represents a 40% increase from fiscal year 2003.
- General revenues account for \$3,141,463 and \$3,128,585 in revenue, or 78% and 74% of all revenues for fiscal years 2005 and 2004 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$899,729 or 22% of total revenues for 2005 and \$1,123,111 or 26% of total revenues for 2004.
- The District had \$3,986,257 and \$3,653,245 in expenses for fiscal years 2005 and 2004; only \$899,729 for 2005 and \$1,123,111 for 2004 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,141,463 for 2005 and \$3,128,585 for 2004 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,066,554 in revenues and \$3,027,092 in expenditures for 2005 and \$3,051,808 in revenues and \$2,847,768 in expenditures for 2004. The General Fund's fund balance decreased \$29,759 from 2004 to 2005 and increased \$166,824 from 2003 to 2004.
- Capital assets, net of accumulated depreciation, decreased by \$3,022 for 2005 and increased by \$740,079 for 2004.
- Long-term debt decreased by \$66,032 for 2005 and \$78,522 for 2004.

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 and interest on long-term liabilities.

The government-wide financial statements can be found on pages 15 and 16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 18 and 20, 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 17 and 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 21.

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 22 - 36 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 special revenue fund. This required supplementary information can be found on pages 38 - 40 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 42 - 43 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 \$2,591,421 as of June 30, 2005 and by \$2,551,312 as of June 30, 2004.

By far the largest portion of the District's net assets (58% for 2005 and 57% for 2004) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the 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 years ended June 30, 2005 and June 30, 2004.

	2005	2004	\$ Variance	% Variance
Current assets	\$ 1,189,626	\$ 1,165,611	24,015	2.06%
Capital assets, net	2,425,609	2,428,631	(3,022)	-0.12%
Total assets	<u>3,615,235</u>	<u>3,594,242</u>	20,993	0.58%
Current liabilities	90,048	115,751	25,703	22.21%
Long-term debt outstanding	933,766	927,179	(6,587)	-0.71%
Total liabilities	<u>1,023,814</u>	<u>1,042,930</u>	19,116	1.83%
Net assets:				
Invested in capital assets, net of related debt	1,515,077	1,445,480	(69,597)	-4.81%
Restricted	218,320	212,124	(6,196)	-2.92%
Unrestricted	858,024	893,708	35,684	3.99%
Total net assets	<u>\$ 2,591,421</u>	<u>\$ 2,551,312</u>	(40,109)	-1.57%

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2005 and June 30, 2004 were \$4,041,192 and \$4,251,696 respectively. The total cost of all programs and services for 2005 was \$3,986,257 and \$3,653,245 for 2004. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and June 30, 2004.

	2005	2004	\$ Variance	% Variance
Revenues:				
Program revenues	\$ 899,729	\$ 1,123,111	(223,382)	-19.89%
General revenues	3,141,463	3,128,585	12,878	0.41%
Total revenues	<u>4,041,192</u>	<u>4,251,696</u>	(210,504)	-4.95%
Expenses:				
Instruction	2,235,772	1,951,480	284,292	14.57%
Support services	1,373,911	1,346,610	27,301	2.03%
Non-instructional	331,283	304,334	26,949	8.86%
Interest on long-term liabilities	45,291	50,821	(5,530)	-10.88%
Total expenses	<u>3,986,257</u>	<u>3,653,245</u>	333,012	9.12%
Increase (decrease) in net assets	<u>\$ 54,935</u>	<u>\$ 598,451</u>	(543,516)	-90.82%

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional 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.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 2,235,772	\$ (1,808,824)	\$ 1,951,480	\$ (1,666,273)
Support services	1,373,911	(1,206,858)	1,346,610	(773,984)
Non-instructional	331,283	(25,555)	304,334	(39,056)
Interest on long-term liabilities	45,291	(45,291)	50,821	(50,821)
Total expenses	<u>\$ 3,986,257</u>	<u>\$ (3,086,528)</u>	<u>\$ 3,653,245</u>	<u>\$ (2,530,134)</u>

- Net cost of governmental activities (\$3,086,528 and \$2,530,134), was financed by general revenue, which is made up of primarily property taxes (\$520,459 for 2005 and \$514,483 for 2004) and state revenue (\$2,447,658 for 2005 and \$2,348,324 for 2004).
- Investment earnings accounted for \$23,451 for 2005 and \$21,663 for 2004 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,118,818, a decrease of \$25,843. \$1,103,290 or 99% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$15,528 or 1% is reserved or designated to indicate that it is not available for spending because it has already been committed. The areas of commitment are as follows:

	<u>2005</u>	<u>2004</u>
Unemployment Benefits	\$ 11,616	\$ 12,021
Inventory	<u>3,912</u>	<u>3,033</u>
Total assets	<u>\$ 15,528</u>	<u>\$ 15,054</u>

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$29,759. The fund balance of Other Governmental Funds showed an increase of \$12,330.

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and other major funds 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 \$3,222,941, including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$31,822 from 2004 to 2005 and an increase of \$826,512 from 2003 to 2004. Total accumulated depreciation was \$797,332 for 2005 and \$762,488 for 2004. Total depreciation expense was \$75,879 for 2005 and \$86,433 for 2004, resulting in total net assets of \$2,425,609 for 2005 and \$2,428,631 for 2004.

Additional information of the District's capital assets can be found in Note 4 on page 30 of this report.

Debt Administration. At June 30, 2005, the District had \$933,766 in long-term debt outstanding, of which \$78,862 is due within one year.

The District does not have an underlying bond rating.

Additional information of the District's long-term debt can be found in Note 5 on pages 31 - 34 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. 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.

The District actively pursues grant funding to supplant the local, state and federal revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Chickasaw County School District, P. O. Box 480 or 113 Highway 32 East, Houka, MS 38850 .

FINANCIAL STATEMENTS

CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

		<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets		
Cash and cash equivalents (Note 2)	\$	1,018,746
Due from other governments		164,047
Other receivables, net		2,921
Inventories and prepaid items		3,912
Capital assets, net (Note 4)		<u>2,425,609</u>
Total Assets	\$	<u><u>3,615,235</u></u>
Liabilities		
Accounts payable and accrued liabilities	\$	49,618
Interest payable on long-term liabilities		19,240
Deferred revenue		21,190
Long-term liabilities, due within one year (Note 5)		
Capital related liabilities		78,862
Long-term liabilities, due beyond one year (Note 5)		
Capital related liabilities		831,670
Non-capital related liabilities		<u>23,234</u>
Total Liabilities	\$	<u><u>1,023,814</u></u>
Net Assets		
Investment in capital assets, net of related debt	\$	1,515,077
Restricted net assets:		
Expendable:		
School-based activities		51,348
Debt service		128,758
Capital improvements		26,598
Unemployment benefits		11,616
Unrestricted		<u>858,024</u>
Total Net Assets	\$	<u><u>2,591,421</u></u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,235,772	57,131	353,407	16,410	(1,808,824)
Support services	1,373,911		167,053		(1,206,858)
Non-instructional	331,283	75,586	230,142		(25,555)
Interest on long-term liabilities	45,291				(45,291)
Total governmental activities	\$ 3,986,257	132,717	750,602	16,410	(3,086,528)
General Revenues:					
Taxes:					
					494,525
					25,934
Unrestricted grants and contributions:					
					2,447,658
					97,584
Unrestricted investment earnings					
					23,451
Other					
					52,311
					3,141,463
Change in Net Assets					
					54,935
Net Assets - Beginning					
					2,551,312
Prior Period Adjustment (Note 8):					
					(14,826)
Net Assets - Beginning - Restated					
					2,536,486
Net Assets - Ending					
					\$ 2,591,421

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Major Funds					Total Governmental Funds
	General Fund	Title I - A Basic	1908 Historical Renovation	Other Governmental Funds		
ASSETS						
Cash and cash equivalents (Note 2)	\$ 774,627	268		243,851		1,018,746
Due from other governments	31,384	12,452	73,140	47,071		164,047
Due from other funds (Note 3)	110,112					110,112
Inventories and prepaid items				3,912		3,912
Total Assets	\$ 916,123	12,720	73,140	294,834		1,296,817
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 34,865			2,269		37,134
Due to other funds (Note 3)		12,719	73,140	33,816		119,675
Deferred revenue		8,415		12,775		21,190
Total Liabilities	34,865	21,134	73,140	48,860		177,999
Fund Balances:						
Reserved for:						
Unemployment benefits				11,616		11,616
Inventory				3,912		3,912
Unreserved:						
Undesignated, reported in:						
General fund	881,258					881,258
Special Revenue funds		(8,414)		55,850		47,436
Capital Projects funds				26,598		26,598
Debt Service Funds				147,998		147,998
Total Fund Balances	881,258	(8,414)	-0-	245,974		1,118,818
Total Liabilities and Fund Balances	\$ 916,123	12,720	73,140	294,834		1,296,817

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2005**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,118,818
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets which are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$797,332. (Note 4)	2,425,609
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(933,766)
3. Interest payable on long-term liabilities	(19,240)
	<u> </u>
Total Net Assets - Governmental Activities	\$ <u><u>2,591,421</u></u>

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

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

	Major Funds				Total Governmental Funds
	General Fund	Title I - A Basic	1907 Historical Renovation	Other Governmental Funds	
Revenues:					
Local sources	\$ 599,442			123,601	723,043
State sources	2,369,589			137,882	2,507,471
Federal sources	97,523	168,346	94	538,820	804,783
Total Revenues	<u>3,066,554</u>	<u>168,346</u>	<u>94</u>	<u>800,303</u>	<u>4,035,297</u>
Expenditures:					
Instruction	1,813,577	163,146		269,355	2,246,078
Support services	1,160,840	3,701		172,501	1,337,042
Noninstructional services	28,927	1,499		296,924	327,350
Facilities acquisition and construction	21,625		94	48	21,767
Debt service:					
Principal				72,619	72,619
Interest	2,053			46,110	48,163
Other	70				70
Total Expenditures	<u>3,027,092</u>	<u>168,346</u>	<u>94</u>	<u>857,557</u>	<u>4,053,089</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>39,462</u>	<u>-0-</u>	<u>-0-</u>	<u>(57,254)</u>	<u>(17,792)</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	5,000				5,000
Sale of transportation equipment	896			896	896
Operating transfers in	274,951			93,839	368,790
Operating transfers out	(349,878)			(18,912)	(368,790)
Total Other Financing Sources (Uses)	<u>(69,031)</u>	<u>-0-</u>	<u>-0-</u>	<u>74,927</u>	<u>5,896</u>
Net Change in Fund Balances	<u>(29,569)</u>	<u>-0-</u>	<u>-0-</u>	<u>17,673</u>	<u>(11,896)</u>
Fund Balances:					
July 1, 2004	911,017	-0-	-0-	233,644	1,144,661
Prior period adjustment (Note 8)	(190)	(8,414)		(6,222)	(14,826)
July 1, 2004, as restated	<u>910,827</u>	<u>(8,414)</u>	<u>-0-</u>	<u>227,422</u>	<u>1,129,835</u>
Inc. (Dec.) in reserve for inventory				879	879
June 30, 2005	<u>\$ 881,258</u>	<u>(8,414)</u>	<u>-0-</u>	<u>245,974</u>	<u>1,118,818</u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (11,896)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while activities report depreciation to allocate those expenditures over the life of the assets. Capital asset purchases amounted to \$77,416 and the depreciation expense amounted to \$75,879. (Note 4)	1,537
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	72,619
3. Losses from the disposal of capital assets are not reported in governmental funds, but the losses increase expenditures in the statement of activities	(4,559)
4. Governmental funds report interest on long-term debt when due, whereas the statement of activities recognizes it as it accrues, regardless of when the financial resources are available. Accrued interest at year end was \$19,240 which is a decrease from last year.	2,942
5. Governmental funds do not recognize transactions that are not normally paid with expendable available resources. The statement of activities reports expenses and liabilities regardless of when financial resources are available. Compensated absences increased to \$23,234.	(6,587)
6. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	879
Change in Net Assets of Governmental Activities	\$ 54,935

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

**CHICKASAW COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 213,143
Due from other funds (Note 3)	<u>12,484</u>
Total Assets	<u><u>\$ 225,627</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 209,649
Due to other funds (Note 3)	2,921
Due to student clubs	<u>13,057</u>
Total Liabilities	<u><u>\$ 225,627</u></u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

Note 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 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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/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 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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

Title I - A Basic Fund - This is the school district's fund for accounting for the federal funding of the Title I program.

1907 Historical Renovation Fund - This is the school district's primary fund for accounting for the federal funding of the renovation of the historic 1907 Houlka School building.

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.

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 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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

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. Inventories and Prepaid Items

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

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

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

H. 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 asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

I. 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 in the government-wide statement of net assets. See Note 5 for details.

J. 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.

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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

K. 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 unemployment benefits - An account that represents the fund balance of the unemployment compensation revolving fund, which is legally restricted for the payment of unemployment benefits.

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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: Summary of Significant Accounting Policies (Continued)

L. Property Taxes

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

M. 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.

N. 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 only the compensated absence liability payable from expendable available financial resources.

Note 2: 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 \$1,018,746 and \$213,143, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and Cash Equivalents \$1,018,746. The bank balance was \$1,436,266.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 2: Cash and Cash Equivalents (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above the 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, none of the district's bank balance of \$1,436,266 was exposed to custodial credit risk.

Note 3: Interfund Transactions and Balances

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Major Funds		
General Fund	\$ 110,112	
Title I - A Basic		12,719
1907 Historical Renovation		73,140
Other Governmental Funds		33,816
Fiduciary Funds	<u>12,484</u>	<u>2,921</u>
Total	<u>\$ 122,596</u>	<u>122,596</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General fund	\$ 274,951	349,878
Other Governmental Funds	<u>93,839</u>	<u>18,912</u>
Total	<u>\$ 368,790</u>	<u>368,790</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service payments or to provide funds for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 4: Capital Assets

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

	Balance 7/1/2004	Additions	Retirements	Balance 6/30/2005
<u>Non-depreciable capital assets</u>				
Land	\$ 28,951	21,625		50,576
Construction in progress	781,190	142		781,332
Total non-depreciable capital assets	<u>810,141</u>	<u>21,767</u>	<u>-0-</u>	<u>831,908</u>
<u>Depreciable capital assets</u>				
Buildings	1,565,926			1,565,926
Building Improvements	134,171			134,171
Mobile equipment	337,200	49,750	(45,594)	341,356
Furniture and equipment	133,181	5,899		139,080
Leased property under capital leases	210,500			210,500
Total depreciable capital assets	<u>2,380,978</u>	<u>55,649</u>	<u>(45,594)</u>	<u>2,391,033</u>
<u>Less accumulated depreciation for:</u>				
Buildings	376,367	28,445		404,812
Building Improvements	2,683	5,367		8,050
Mobile equipment	252,136	22,007	(41,035)	233,108
Furniture and equipment	97,867	12,385		110,252
Leased property under capital leases	33,435	7,675		41,110
Total accumulated depreciation	<u>762,488</u>	<u>75,879</u>	<u>(41,035)</u>	<u>797,332</u>
Total depreciable capital assets, net	<u>1,618,490</u>	<u>(20,230)</u>	<u>(4,559)</u>	<u>1,593,701</u>
Governmental activities capital assets, net	<u>\$ 2,428,631</u>	<u>1,537</u>	<u>(4,559)</u>	<u>2,425,609</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 39,057
Support services	32,874
Non-instructional	3,948
	<u>\$ 75,879</u>

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 4: Capital Assets (Continued)

The capital assets above include significant amounts of buildings and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
1907 Houlika school renovation	\$ 73,561	\$ 12,534
	<u>\$ 73,561</u>	<u>\$ 12,534</u>

Note 5: 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. Limited obligation bonds payable	\$ 810,000		35,000	775,000	40,000
B. Three mill note payable	98,000		15,000	83,000	16,000
C. Obligations under capital leases	75,151		22,619	52,532	22,862
D. Compensated absences payable	16,647	6,587		23,234	
Total	<u>\$ 999,798</u>	<u>6,587</u>	<u>72,619</u>	<u>933,766</u>	<u>78,862</u>

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 5: Long-term Liabilities (Continued)

A. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement	5.00%	3/1/98	2/1/18	\$ 915,000	\$ 775,000
Total				<u>\$ 915,000</u>	<u>\$ 775,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	40,000	37,750	77,750
2007	40,000	35,750	75,750
2008	45,000	33,625	78,625
2009	45,000	31,375	76,375
2010	50,000	29,000	79,000
2011-2015	280,000	105,000	385,000
2016-2020	275,000	26,125	301,125
Total	<u>\$ 775,000</u>	<u>298,625</u>	<u>1,073,625</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Bond Issue Fund.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 5: Long-term Liabilities (Continued)

B. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill ten year notes 1998	4.74%	4/1/99	4/1/09	\$ 40,000	\$ 26,500
Three mill ten year notes 1999	4.74%	9/1/98	9/1/08	<u>130,000</u>	<u>56,500</u>
Total				<u>\$ 170,000</u>	<u>\$ 83,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	16,000	3,934	19,934
2007	17,000	3,176	20,176
2008	17,500	2,370	19,870
2009	<u>32,500</u>	<u>1,541</u>	<u>34,041</u>
Total	<u>\$ 83,000</u>	<u>11,021</u>	<u>94,021</u>

This debt will be retired from the 3 Mill Note Levy 1999 fund.

C. Obligations under capital leases

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

The option available to the lessee for these leases is that the district can purchase the lessor's interest by paying an option price equal to the remaining principal balance owed plus accrued interest to the date of such payment.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 5: Long-term Liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2006	22,862	2,468	25,330
2007	7,015	1,033	8,048
2008	7,276	771	8,047
2009	7,548	500	8,048
2010	7,831	218	8,049
Total \$	52,532	4,990	57,522

This debt will be retired from the District Maintenance and the EEF Buildings and Buses funds.

D. Compensated absences payable

As more fully explained in Note 1(N), 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.

Note 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 \$380,784, \$190,461, and \$180,147, respectively, which equaled the required contributions for each year.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 7: Deficit Fund Balance of Individual Funds

The Title I -A Basic fund has a deficit fund balance in the amount of \$8,414.

The deficit fund balance is not in violation of state law. This deficit could have been eliminated with a transfer from the district maintenance fund (General fund).

Note 8: Prior Period Adjustments/Exhibits

A summary of significant fund equity adjustments is as follows:

<u>Statement of Activities</u>	<u>Amount</u>
<u>Explanation</u>	
1. To record prior year expense	14,826
Total	<u>14,826</u>
 <u>Statement of Revenues, Expenditures and Changes in Fund Balances</u>	
<u>Major fund:</u>	<u>Explanation</u>
General Fund	To record prior year expense
Title I - A Basic	To record prior year expense
Other Governmental Funds	To record prior year expense
Total	\$ <u>14,826</u>

Note 9: 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.

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 9: Risk Management (Continued)

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 90 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 in Jackson. 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 that 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 the excess losses incurred by the pool.

Note 10: Vocational School Consortium

The school district entered into a Vocational Educational Agreement date May 6, 1985, creating the Houston Vocational 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 consortium includes the Houston School District and the Chickasaw County School District.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original	Final
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 559,266	599,442	599,442	40,176	-0-
State sources	2,366,882	2,369,589	2,369,589	2,707	-0-
Federal sources	91,657	97,523	97,523	5,866	-0-
Total Revenues	<u>3,017,805</u>	<u>3,066,554</u>	<u>3,066,554</u>	<u>48,749</u>	<u>-0-</u>
Expenditures:					
Instruction	1,743,203	1,814,307	1,813,577	(71,104)	730
Support services	1,187,686	1,162,353	1,160,840	25,333	1,513
Noninstructional services	25,605	29,143	28,927	(3,538)	216
Facilities acquisition and construction		24,708	21,625	(24,708)	3,083
Debt service:					
Interest	2,053	2,123	2,053	(70)	70
Other			70	-0-	(70)
Total Expenditures	<u>2,958,547</u>	<u>3,032,634</u>	<u>3,027,092</u>	<u>(74,087)</u>	<u>5,542</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>59,258</u>	<u>33,920</u>	<u>39,462</u>	<u>(25,338)</u>	<u>5,542</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		5,000	5,000	5,000	-0-
Sale of transportation equipment		896	896	896	-0-
Inception of capital lease	52,000			(52,000)	-0-
Operating transfers in	284,121	275,497	274,951	(8,624)	(546)
Operating transfers out	(478,759)	(349,878)	(349,878)	128,881	-0-
Total Other Financing Sources (Uses)	<u>(142,638)</u>	<u>(68,485)</u>	<u>(69,031)</u>	<u>74,153</u>	<u>(546)</u>
Net Change in Fund Balances	<u>(83,380)</u>	<u>(34,565)</u>	<u>(29,569)</u>	<u>48,815</u>	<u>4,996</u>
Fund Balances:					
July 1, 2004	910,981	910,981	911,017	-0-	36
Prior period adjustments (Note 8)			(190)	-0-	(190)
July 1, 2004, as restated	<u>910,981</u>	<u>910,981</u>	<u>910,827</u>	<u>-0-</u>	<u>(154)</u>
June 30, 2005	<u>\$ 827,601</u>	<u>876,416</u>	<u>881,258</u>	<u>48,815</u>	<u>4,842</u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I - A BASIC FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
	Original	Final			
Revenues:					
Federal sources	\$ 180,351	181,069	168,346	718	(12,723)
Total Revenues	<u>180,351</u>	<u>181,069</u>	<u>168,346</u>	<u>718</u>	<u>(12,723)</u>
Expenditures:					
Instruction	161,891	170,350	163,146	(8,459)	7,204
Support services	15,000	7,344	3,701	7,656	3,643
Noninstructional services	1,460	3,375	1,499	(1,915)	1,876
Total Expenditures	<u>178,351</u>	<u>181,069</u>	<u>168,346</u>	<u>(2,718)</u>	<u>12,723</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,000</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,000)</u>	<u>-0-</u>
Other Financing Sources (Uses):					
Operating transfers in				-0-	-0-
Operating transfers out	(2,000)			2,000	-0-
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,000</u>	<u>-0-</u>
Net Change in Fund Balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:					
July 1, 2004	-0-	-0-	-0-	-0-	-0-
Prior period adjustments (Note 8)			(8,414)	-0-	(8,414)
July 1, 2004, as restated	<u>-0-</u>	<u>-0-</u>	<u>(8,414)</u>	<u>-0-</u>	<u>(8,414)</u>
June 30, 2005	<u>\$ -0-</u>	<u>-0-</u>	<u>(8,414)</u>	<u>-0-</u>	<u>(8,414)</u>

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

**CHICKASAW COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

Budgetary Comparison Schedule

Note 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.

Note 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

**CHICKASAW COUNTY 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.S. Department of Agriculture		
Direct program		
Rural business enterprise grant	10.769	\$ <u>94</u>
Passed through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	<u>13,065</u>
Child nutrition cluster:		
School breakfast program	10.553	70,742
National school lunch program	10.555	121,944
Summer food service program for children	10.559	<u>3,761</u>
Total		<u>196,447</u>
Total passed through Mississippi Department of Education		<u>209,512</u>
Total U.S. Department of Agriculture		<u>209,606</u>
U.S. Department of Education		
Passed through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	168,346
Safe and drug-free schools and communities - state grants	84.186	1,969
Eisenhower professional development state grants	84.281	15,656
Twenty-first century community learning centers	84.287	103,012
Innovative education program strategies	84.298	2,576
Education technology state grants	84.318	2,639
Rural education	84.358	20,862
Improving teacher quality - state grants	84.367	24,813
Grants for state assessments and related activities	84.369	<u>60</u>
Total		339,933
Special education cluster:		
Special education - grants to states	84.027	107,760
Special education - preschool grants	84.173	<u>6,278</u>
Total		<u>114,038</u>
Total passed through Mississippi Department of Education		<u>453,971</u>
Total U.S. Department of Education		<u>453,971</u>
Appalachian Regional Commission		
Appalachian area development	23.002	<u>42,828</u>
Total passed through U.S. Treasury		<u>42,828</u>
Total for All Federal Awards		<u>\$ <u>706,405</u></u>

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005**

Note 1: This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

Note 2: The expenditure amounts include transfers out.

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

**CHICKASAW COUNTY 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	\$ 2,870,604	2,048,411	371,274	450,919
Other	<u>1,182,485</u>	<u>197,631</u>	<u>54,546</u>	<u>930,308</u>
Total	\$ <u>4,053,089</u>	<u>2,246,042</u>	<u>425,820</u>	<u>1,381,227</u>
Total number of students	506			
Cost per student	\$ <u>8,010</u>	<u>4,439</u>	<u>842</u>	<u>2,730</u>

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); Support Services - Business (2500s).

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

J.E. VANCE & COMPANY, P.A.

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

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.

November 3, 2005
Tupelo, Mississippi

J. E. Vance & Company

J.E. VANCE & COMPANY, P.A.

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INDEPENDENT AUDITORS' 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
Chickasaw County School District

Compliance

We have audited the compliance of the Chickasaw 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 auditor's results section of the accompanying 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, Chickasaw 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 Chickasaw 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 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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.

November 3, 2005
Tupelo, Mississippi

Handwritten signature of J. E. Vance & Company in cursive script.

J.E. VANCE & COMPANY, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Chickasaw County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chickasaw County School District as of and for the year ended June 30, 2005, which collectively comprise Chickasaw County School District's basic financial statements and have issued our report thereon dated November 3, 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 *Governmental 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 \$20,774 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.

November 3, 2005
Tupelo, Mississippi



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CHICKASAW 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 auditors' 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 auditors' 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 OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Cluster: Child Nutrition | |
| CFDA #10.553 | |
| CFDA #10.555 | |
| CFDA #10.559 | |

**CHICKASAW COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

Section 1: Summary of Auditor's Results (Continued)

- | | |
|---|------------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

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