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DURANT PUBLIC SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2005**

**Charles L. Shivers, CPA
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Durant Public School District

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

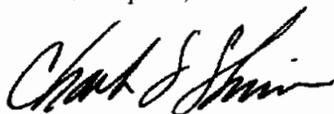
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Durant Public 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 February 24, 2006, on my consideration of the Durant Public School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 11 and the Budgetary Comparison Schedule and related notes on pages 41 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Durant Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis as required by the Mississippi State Auditor's Office. 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.



Ridgeland, MS
February 24, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Durant Public School District

Developing • Performing • Succeeding

GLENN A. CARLISLE

Superintendent

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P. O. Box 669
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DURANT PUBLIC SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of the Durant Public School District's financial performance provides an overall narrative review of the district's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the 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 district's financial performance.

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.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$488,641. The increase is the result of revenues exceeding expenses.
- General revenues account for \$3,403,962 in revenue, or 76% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,095,751 or 24% of total revenues.
- The district had \$4,011,072 in expenses; only \$1,095,751 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,403,962 were adequate to provide for these programs.
- The General Fund had \$3,232,472 in revenues and \$2,809,046 in expenditures. The General Fund had other financing uses of \$94,561. The General Fund's fund balance increased \$328,865 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$48,823. The net decrease in the capital assets is due primarily to normal depreciation charges occurring during the year.
- The district retired \$176,168 in GO Bonds and other debt. Long-term debt decreased by \$173,164.

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 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 23 - 33 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 41 - 43 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 37 of this report and a schedule of instructional, administrative and other expenditures – governmental funds can be found on page 38.

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, liabilities exceeded assets by \$168,591 as of June 30, 2005.

By far one of the largest portions of the district’s net assets (\$677,884) reflects its investment in capital assets (e.g., land, buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the district’s net assets for the fiscal years ended June 30:

	<u>2005</u>	<u>2004</u>
Current assets	\$ 949,568	\$ 579,703
Capital assets, net	\$ <u>1,325,509</u>	\$ <u>1,374,332</u>
Total assets	\$ <u>2,275,077</u>	\$ <u>1,954,035</u>
Current liabilities	\$ 32,136	\$ 211,197
Long-term debt outstanding	\$ <u>2,411,532</u>	\$ <u>2,405,109</u>
Total liabilities	\$ <u>2,443,668</u>	\$ <u>2,616,306</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 677,884	\$ 692,401
Restricted	\$ 127,944	\$ 87,470
Unrestricted	\$ <u>(974,419)</u>	\$ <u>(1,442,142)</u>
Total net assets	\$ <u>(168,591)</u>	\$ <u>(662,271)</u>

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

- The principal retirement of \$176,168 of long-term debt.
- The acquisition of \$12,840 in capital assets.

Changes in net assets. The district’s total revenues for the fiscal year ended June 30, 2005 were \$4,499,713. The total cost of all programs and services was \$4,011,072. The following table presents a summary of the changes in net assets for the fiscal years ended June 30:

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 1,095,751	\$ 1,767,889
General revenues	\$ <u>3,403,962</u>	\$ <u>3,005,706</u>
Total revenues	\$ <u>4,499,713</u>	\$ <u>4,773,595</u>
Expenses:		
Instruction	\$ 2,321,648	\$ 2,285,035
Support services	\$ 1,293,894	\$ 2,189,454
Non-instructional	\$ 285,787	\$ 313,717
Interest on long-term liabilities	\$ <u>109,743</u>	\$ <u>109,832</u>
Total expenses	\$ <u>4,011,072</u>	\$ <u>4,898,038</u>
Increase (Decrease) in net assets	\$ <u>488,641</u>	\$ <u>(124,443)</u>

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.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 2,321,648	\$ (1,819,058)	\$ 2,285,035	\$ (1,660,902)
Support services	\$ 1,293,894	\$ (1,002,845)	\$ 2,189,454	\$ (1,358,617)
Non-instructional	\$ 285,787	\$ 16,325	\$ 313,717	\$ (798)
Interest on long-term liabilities	\$ 109,743	\$ (109,743)	\$ 109,832	\$ (109,832)
Total expenses	\$ 4,011,072	\$ (2,915,321)	\$ 4,898,038	\$ (3,130,149)

- Net cost of governmental activities (\$2,915,321) was financed by general revenues, which are made up primarily of property taxes amounting to \$550,969 and state revenues of \$2,644,062.
- Investment earnings accounted for \$11,523 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 \$945,598, an increase of \$370,219. \$860,870 or 91% 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 \$84,728 or 9% is reserved to indicate that it is not available for spending because it has already been committed for specified purposes.

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 \$328,865.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources was increased due to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Budgeted amounts for revenue for local sources was in line with actual collections for the year.

A schedule showing the original and final budget amounts compared to the district's actual financial activity for the General Fund and the major special revenue 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 \$2,055,779, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$7,445 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$730,270 and total depreciation expense for the year was \$66,648, resulting in total net assets of \$1,325,509.

Additional information of the district's capital assets can be found in Note 4 on pages 28 and 29 of this report.

Debt Administration. At June 30, 2005, the district had \$2,411,532 in outstanding general obligation bonds, limited obligation bonds, shortfall notes, capital leases and compensated absences, of which \$187,083 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 pages 29 - 32 of this report.

CURRENT ISSUES

The Durant Public School District is financially stable. The district takes pride in the support that has been provided by the parents, and citizens of the community.

Durant Public School District's system of financial planning, budgeting accountability and internal controls is well regarded. As the district continues to strive for financial excellence, it will continue to practice sound fiscal management to meet the challenges of the future.

The latest enrollment figures do not indicate a significant increase or decrease in student enrollment over the past several years. Although there is uncertainty concerning full education funding for the next fiscal year, the Durant Public School District is committed to providing the children of the City of Durant with the highest level of educational opportunities by maximizing the resources available.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the superintendent's office at the following address: Durant Public School District, P O Box 669, Durant, MS, 39063.

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BASIC FINANCIAL STATEMENTS

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Durant Public School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 804,803
Due from other governments	\$ 143,070
Inventories	\$ 1,695
Capital assets, net (Note 4)	\$ 1,325,509
Total Assets	<u>\$ 2,275,077</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 888
Deferred revenue	\$ 3,082
Interest payable on long-term liabilities	\$ 28,166
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	\$ 34,817
Non-capital related liabilities	\$ 152,266
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	\$ 612,808
Non-capital related liabilities	\$ 1,611,641
Total Liabilities	<u>\$ 2,443,668</u>
Net assets	
Investment in capital assets (net of related debt)	\$ 677,884
Restricted net assets	
Expendable	
School-based activities	\$ 109,543
Debt service	\$ (734)
Unemployment benefits	\$ 19,135
Unrestricted	\$ (974,419)
Total Net Assets	<u>\$ (168,591)</u>

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

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

Exhibit B

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 Government Governmental Activities
Primary Government					
Governmental Activities					
Instruction	\$ 2,321,648	\$ 31,184	\$ 471,406		\$ (1,819,058)
Support services	\$ 1,293,894		\$ 271,181	\$ 19,868	\$ (1,002,845)
Non-instructional	\$ 285,787	\$ 39,859	\$ 262,253		\$ 16,325
Interest and other expenses on long-term liabilities	\$ 109,743				\$ (109,743)
Total Governmental Activities	\$ 4,011,072	\$ 71,043	\$ 1,004,840	\$ 19,868	\$ (2,915,321)
General Revenues					
Taxes					
General purpose levies					
					\$ 550,969
Debt purpose levies					
					\$ 192,748
Unrestricted grants and contributions					
State					
					\$ 2,644,062
Unrestricted investment earnings					
					\$ 11,523
Sixteenth section sources					
					\$ 3,588
Other					
					\$ 1,072
Total General Revenues					
					\$ 3,403,962
Changes in Net Assets					
					\$ 488,641
Net Assets - Beginning					
					\$ (662,271)
Prior Period Adjustments (Note 9)					
					\$ 5,039
Net Assets - Beginning - Restated					
					\$ (657,232)
Net Assets - Ending					
					\$ (168,591)

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

Durant Public School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Educational Technology Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents (Note 2)	\$ 651,493	\$ 28	\$ 153,282	\$ 804,803
Due from other governments	\$ 25,057	\$ 104,870	\$ 13,143	\$ 143,070
Due from other funds (Note 3)	\$ 113,392			\$ 113,392
Inventories			\$ 1,695	\$ 1,695
Total Assets	\$ 789,942	\$ 104,898	\$ 168,120	\$ 1,062,960
Liabilities and Fund Balances				
Liabilities				
Accounts payable & accrued liabilities			\$ 888	\$ 888
Due to other funds (Note 3)	\$ 454	\$ 104,870	\$ 8,068	\$ 113,392
Deferred revenue			\$ 3,082	\$ 3,082
Total Liabilities	\$ 454	\$ 104,870	\$ 12,038	\$ 117,362
Fund Balances				
Reserved for				
Debt service purposes			\$ 27,432	\$ 27,432
Unemployment benefits			\$ 19,135	\$ 19,135
Inventory			\$ 1,695	\$ 1,695
Ad valorem	\$ 36,466			\$ 36,466
Unreserved				
Undesignated, reported in				
General fund	\$ 753,022			\$ 753,022
Special revenue funds		\$ 28	\$ 107,820	\$ 107,848
Total Fund Balances	\$ 789,488	\$ 28	\$ 156,082	\$ 945,598
Total Liabilities and Fund Balances	\$ 789,942	\$ 104,898	\$ 168,120	\$ 1,062,960

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

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

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 945,598
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$730,270. (Note 4)	\$ 1,325,509
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds. (Note 5)	\$ (2,411,532)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (28,166)</u>
Total net assets - governmental activities	<u>\$ (168,591)</u>

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

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

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Educational Technology Fund	Other Governmental Funds	
Revenues				
Local sources	\$ 588,408		\$ 221,666	\$ 810,074
State sources	\$ 2,644,064		\$ 34,638	\$ 2,678,702
Federal sources		\$ 113,782	\$ 892,495	\$ 1,006,277
Sixteenth section sources			\$ 3,588	\$ 3,588
Total Revenues	\$ 3,232,472	\$ 113,782	\$ 1,152,387	\$ 4,498,641
Expenditures				
Instruction	\$ 1,946,845		\$ 315,950	\$ 2,262,795
Support services	\$ 862,201	\$ 113,782	\$ 323,086	\$ 1,299,069
Noninstructional services			\$ 280,050	\$ 280,050
Debt service				
Principal (Note 5)			\$ 176,168	\$ 176,168
Interest			\$ 111,466	\$ 111,466
Total Expenditures	\$ 2,809,046	\$ 113,782	\$ 1,206,720	\$ 4,129,548
Excess (Deficiency) of Revenues Over Expenditures	\$ 423,426	\$ -	\$ (54,333)	\$ 369,093
Other Financing Sources (Uses)				
Operating transfers in (Note 3)	\$ 346,605		\$ 106,885	\$ 453,490
Other financing sources	\$ 1,124	\$ 28	\$ 286	\$ 1,438
Operating transfers out (Note 3)	\$ (441,978)		\$ (11,512)	\$ (453,490)
Other financing uses	\$ (312)			\$ (312)
Total Other Financing Sources (Uses)	\$ (94,561)	\$ 28	\$ 95,659	\$ 1,126
Net Change in Fund Balances	\$ 328,865	\$ 28	\$ 41,326	\$ 370,219
Fund Balances				
July 1, 2004	\$ 457,356	\$ -	\$ 139,756	\$ 597,112
Prior period adjustments (Note 9)	\$ 3,267		\$ (22,397)	\$ (19,130)
July 1, 2004, as restated	\$ 460,623	\$ -	\$ 117,359	\$ 577,982
Decrease in reserve for inventory			\$ (2,603)	\$ (2,603)
June 30, 2005	\$ 789,488	\$ 28	\$ 156,082	\$ 945,598

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

Durant Public School District
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 370,219
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$12,840 and the depreciation expense amounted to \$66,648. (Note 4)	\$ (53,808)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities. (Note 5)	\$ 176,168
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds. (Note 5)	\$ (3,004)
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities. (Note 4)	\$ (54)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 1,723
The governmental funds reported a decrease in reserve for inventory while the transaction is not reported in the statement of activities.	<u>\$ (2,603)</u>
Changes in net assets of governmental activities	<u>\$ 488,641</u>

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

Durant Public School District
Statement of Net Assets - Fiduciary Funds
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 203,885
Total Assets	<u><u>\$ 203,885</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 190,591
Due to student clubs	\$ 13,294
Total Liabilities	<u><u>\$ 203,885</u></u>

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

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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 reporting government 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 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. It also includes 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 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.

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

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 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.

Education Technology Fund – This special revenue fund is used to account for technology purchases which are authorized under a federal grant.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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.

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.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of 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.

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

K. Interfund Transactions and Balances.

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

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

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

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:

- a. 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.
- b. 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.
- c. 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 debt service purposes - An account that represents a portion of the fund balance that is legally restricted for the retirement of school district debt.

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents and Investments.

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for school district deposits in financial institutions are held in the name of the Mississippi 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 school district'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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33 (d) and (e), Miss. Code Ann. (1972). That section permits the following types of investments: (a) certificates of deposit and interest bearing accounts; (b) direct US Treasury obligations; (c) US Government agencies, US Government instrumentalities or US Government sponsored enterprise obligations; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of those securities enumerated in (b) and (c) above; (e) direct obligations of the US in open-end or closed-end of any management type investment company. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$804,803 and \$203,885, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$1,235,222.

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

Custodial Credit Risk – Deposits. Custodial risk is the risk that in the event of a depository failure, the school district deposits may not be returned to it. The school district does not have a formal policy for custodial credit risk. However, state law permits the Mississippi State Treasurer’s office to manage that risk on behalf of the school district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. By signed agreement the Mississippi State Treasurer’s office is acting on behalf of the school district.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 113,392	\$ 454
Other major funds		
Education technology fund		\$ 104,870
Non-major Funds		\$ 8,068
Total funds	\$ 113,392	\$ 113,392

The interfund transactions are the result of normal year end closing of reimbursable federal programs.

B. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 346,605	\$ 441,978
Non-major Funds	\$ 106,885	\$ 11,512
Total funds	\$ 453,490	\$ 453,490

Transfers In and Transfers Out presented in the General Fund are to finance educational programs within the General Fund (state funded special education and alternative education) and for normal year end closing of reimbursable federal programs in the Non-major Funds. Transfers out of the Non-major Funds are indirect cost transfers to the General Fund

(4) Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 35,900				\$ 35,900
Total non-depreciable capital assets	\$ 35,900	\$ 0	\$ 0	\$ 0	\$ 35,900
<u>Depreciable capital assets:</u>					
Buildings	\$ 1,169,883				\$ 1,169,883
Building improvements	609,942				\$ 609,942
Improvements other than buildings	\$ 34,238				\$ 34,238
Mobile equipment	\$ 77,668			\$ 6,185	\$ 83,853

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

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
Furniture and equipment	\$ 98,547	\$ 12,840	\$ (5,395)	\$ (6,185)	\$ 99,807
Leased property under capital leases	\$ 22,156				\$ 22,156
Total depreciable capital assets	<u>\$ 2,012,434</u>	<u>\$ 12,840</u>	<u>\$ (5,395)</u>	<u>\$ 0</u>	<u>\$ 2,019,879</u>
<u>Less accumulated depreciation</u>					
Buildings	\$ 501,427	\$ 20,433			\$ 521,860
Building improvements	\$ 24,398	\$ 24,398			\$ 48,796
Improvements other than buildings	\$ 18,191	\$ 1,150		\$ (242)	\$ 19,341
Mobile equipment	\$ 44,591	\$ 5,013		\$ (4,797)	\$ 49,362
Furniture and equipment	\$ 82,262	\$ 12,520	\$ (5,341)		\$ 84,644
Leased property under capital leases	\$ 3,133	\$ 3,134			\$ 6,267
Total accumulated depreciation	<u>\$ 674,002</u>	<u>\$ 66,648</u>	<u>\$ (5,341)</u>	<u>\$ (5,039)</u>	<u>\$ 730,270</u>
Total depreciable capital assets, net	<u>\$ 1,338,432</u>	<u>\$ (53,808)</u>	<u>\$ (54)</u>	<u>\$ 5,039</u>	<u>\$ 1,289,609</u>
Governmental activities capital assets, net	<u>\$ 1,374,332</u>	<u>\$ (53,808)</u>	<u>\$ (54)</u>	<u>\$ 5,039</u>	<u>\$ 1,325,509</u>

The adjustments were for reclassifying certain assets and related accumulated depreciation.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 57,351
Support services	\$ 6,163
Non-instructional	\$ 3,134
Total depreciation expense	<u>\$ 66,648</u>

(5) Long-term liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	\$ 1,265,000		\$ 40,000	\$ 1,225,000	\$ 45,000
B. Limited obligation bonds payable	\$ 1,070,000		\$ 50,000	\$ 1,020,000	\$ 50,000
C. Shortfall notes payable	\$ 200,800		\$ 80,900	\$ 119,900	\$ 84,900
D. Obligations under capital leases	\$ 34,708		\$ 5,268	\$ 29,440	\$ 5,464
E. Compensated absences payable	\$ 14,188	\$ 3,004		\$ 17,192	\$ 1,719
Total	<u>\$ 2,584,696</u>	<u>\$ 3,004</u>	<u>\$ 176,168</u>	<u>\$ 2,411,532</u>	<u>\$ 187,083</u>

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

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2002	3.75 to 5	11-1-02	11-1-22	\$ 1,300,000	\$ 1,265,000

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

	Year Ending			
	June 30	Principal	Interest	Total
2006	\$ 45,000	\$ 50,145	\$ 95,145	\$ 95,145
2007	\$ 45,000	\$ 47,895	\$ 92,895	\$ 92,895
2008	\$ 50,000	\$ 45,520	\$ 95,520	\$ 95,520
2009	\$ 55,000	\$ 42,895	\$ 97,895	\$ 97,895
2010	\$ 55,000	\$ 40,420	\$ 95,420	\$ 95,420
2011 – 2015	\$ 305,000	\$ 170,066	\$ 475,066	\$ 475,066
2016 – 2020	\$ 390,000	\$ 102,974	\$ 492,974	\$ 492,974
2021 – 2022	\$ 280,000	\$ 18,890	\$ 298,890	\$ 298,890
Total	\$ 1,225,000	\$ 518,805	\$ 1,743,805	\$ 1,743,805

This debt will be retired from the debt service fund (Debt Service Funds).

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 11.7% of property assessments as of October 1, 2004.

B. 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
State aid capital Improvement bonds	3.9 to 5	8-1-98	2-1-18	\$ 1,240,000	\$ 1,070,000

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

	Year Ending			
	June 30	Principal	Interest	Total
2006	\$ 50,000	\$ 46,282	\$ 96,282	\$ 96,282
2007	\$ 55,000	\$ 44,063	\$ 99,063	\$ 99,063
2008	\$ 60,000	\$ 41,604	\$ 101,604	\$ 101,604

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 60,000	\$ 39,002	\$ 99,002
2010	\$ 65,000	\$ 36,260	\$ 101,260
2011 – 2015	\$ 360,000	\$ 134,432	\$ 494,432
2016 – 2018	\$ 370,000	\$ 35,257	\$ 405,257
Total	<u>\$ 1,020,000</u>	<u>\$ 376,900</u>	<u>\$ 1,396,900</u>

This debt will be retired from the debt service fund (Debt Service Funds).

C. Shortfall notes payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 84,900	\$ 5,536	\$ 90,436
2007	\$ 35,000	\$ 1,750	\$ 36,750
Total	<u>\$ 119,900</u>	<u>\$ 7,286</u>	<u>\$ 127,186</u>

This debt will be retired from the debt service fund (Debt Service Funds).

D. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of various cafeteria equipment.

The various options available to the lessee for this lease are as follows:

1. The district may prepay the lease obligation.
2. The district may exercise the purchase option at the end of the lease term.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 5,464	\$ 1,040	\$ 6,504
2007	\$ 5,668	\$ 836	\$ 6,504
2008	\$ 5,880	\$ 624	\$ 6,504
2009	\$ 6,100	\$ 404	\$ 6,504
2010	\$ 6,328	\$ 176	\$ 6,504
Total	<u>\$ 29,440</u>	<u>\$ 3,080</u>	<u>\$ 32,520</u>

This debt will be retired from the school food service fund (Special Revenue Fund).

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

E. Compensated absences payable.

As more fully explained in Note 1(O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salary was 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 \$216,179, \$220,347 and \$236,128, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Operating leases:

The school district has several operating leases for the following:

1. The district leased five copiers under lease agreement contract. The lease agreement is dated July 21, 2003 and covers a 60 month period. The lease payments for the year were \$9,852.
2. The district has one copier under a lease agreement. The lease agreement is dated August 28, 2001 and covers a 60 month period. The lease payments for the year were \$3,360.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2006	\$ 13,212
2007	\$ 10,412
2008	\$ 9,852
2009	\$ 821
Total	<u>\$ 34,297</u>

(8) Deficit Net Assets / Fund Balances.

The district has a deficit net asset balance of \$168,591. The deficit is not a violation of state law and is the result of total liabilities exceeding total assets.

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

(9) Prior Period Adjustments/Exhibits.

<u>Exhibit B and Exhibit D</u>	<u>Amount</u>	<u>Explanation</u>
General Fund		
District maintenance Fund	\$ <u>3,267</u>	Prior year auditor adjustment made in current year.
Total General Fund	\$ <u>3,267</u>	
Other Governmental Funds		
EPSDT Grant	\$ (25,000)	Prior year auditor adjustment made in current year.
School Food Service Fund	\$ <u>2,603</u>	Correction of prior year receivable / current year revenue
Total Other Governmental Funds	\$ <u>(22,397)</u>	
Total Exhibit D	\$ <u>(19,130)</u>	
Primary Government	\$ <u>5,039</u>	Adjustments made to capital assets (see Note 4)
Total Exhibit B	\$ <u>5,039</u>	

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust. 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.

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SUPPLEMENTARY INFORMATION

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Durant Public 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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 16,207
Child nutrition cluster:		
School breakfast program	10.553	\$ 50,797
National school lunch program	10.555	\$ 174,246
Summer food service program for children	10.559	\$ 3,558
Total child nutrition cluster		\$ 228,601
Total U.S. Department of Agriculture		\$ 244,808
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 347,054
Safe and drug-free schools and communities - state grants	84.186	\$ 7,250
State grants of innovative programs	84.298	\$ 4,208
Education technology - state grants	84.318	\$ 123,592
Rural education achievement program	84.358	\$ 16,888
Improving teacher quality – state grants	84.367	\$ 63,665
Total		\$ 562,657
Special education cluster:		
Special education - grants to states	84.027	\$ 150,802
Special education - preschool grants	84.173	\$ 14,890
Total		\$ 165,692
Total passed-through Mississippi Department of Education		\$ 728,349
Total U.S. Department of Education		\$ 728,349
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education	93.235	\$ 7,486
Passed-through Human Services Research Institute		
Development disabilities projects of national significance	93.631	\$ 795
Total U.S. Department of Health and Human Services		\$ 8,281
Total for All Federal Awards		\$ 981,438

NOTES TO SCHEDULE

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

Durant Public 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	\$ 2,995,038	\$ 2,054,422	\$ 521,029	\$ 419,587
Other	\$ 1,134,510	\$ 208,373	\$ 94,847	\$ 831,290
Total	\$ <u>4,129,548</u>	\$ <u>2,262,795</u>	\$ <u>615,876</u>	\$ <u>1,250,877</u>
Total number of students	<u>583</u>			
Cost per student	\$ <u>7,083</u>	\$ <u>3,881</u>	\$ <u>1,056</u>	\$ <u>2,146</u>

Notes to the schedule.

Instruction - includes the activities dealing directly with the interaction between teachers and students (all 1000 function codes).

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

Other - includes all expenditure functions not included in Instruction or Administration.

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

REQUIRED SUPPLEMENTARY INFORMATION

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Durant Public School District
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 541,934	\$ 588,406	\$ 588,408	\$ (46,472)	\$ (2)
State sources	\$ 2,638,719	\$ 2,644,062	\$ 2,644,064	\$ (5,343)	\$ (2)
Total Revenues	<u>\$ 3,180,653</u>	<u>\$ 3,232,468</u>	<u>\$ 3,232,472</u>	<u>\$ (51,815)</u>	<u>\$ (4)</u>
Expenditures					
Instruction	\$ 2,249,645	\$ 1,947,196	\$ 1,946,845	\$ 302,449	\$ 351
Support services	\$ 874,912	\$ 863,827	\$ 862,201	\$ 11,085	\$ 1,626
Total Expenditures	<u>\$ 3,124,557</u>	<u>\$ 2,811,023</u>	<u>\$ 2,809,046</u>	<u>\$ 313,534</u>	<u>\$ 1,977</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 56,096</u>	<u>\$ 421,445</u>	<u>\$ 423,426</u>	<u>\$ (365,349)</u>	<u>\$ (1,981)</u>
Other Financing Sources (Uses)					
Operating transfers in	\$ 469,175	\$ 346,605	\$ 346,605	\$ 122,570	\$ -
Other financing sources	\$ -	\$ 1,124	\$ 1,124	\$ (1,124)	\$ -
Operating transfers out	\$ (619,129)	\$ (441,978)	\$ (441,978)	\$ (177,151)	\$ -
Other financing uses	\$ (1,602)	\$ (312)	\$ (312)	\$ (1,290)	\$ -
Total Other Financing Sources (Uses)	<u>\$ (151,556)</u>	<u>\$ (94,561)</u>	<u>\$ (94,561)</u>	<u>\$ (56,995)</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ (95,460)</u>	<u>\$ 326,884</u>	<u>\$ 328,865</u>	<u>\$ (422,344)</u>	<u>\$ (1,981)</u>
Fund Balances					
July 1, 2004	\$ 452,665	\$ 457,356	\$ 457,356	\$ (4,691)	\$ -
Prior period adjustments	\$ -	\$ -	\$ 3,267	\$ -	\$ (3,267)
July 1, 2004, as restated	<u>\$ 452,665</u>	<u>\$ 457,356</u>	<u>\$ 460,623</u>	<u>\$ (4,691)</u>	<u>\$ (3,267)</u>
June 30, 2005	<u>\$ 357,205</u>	<u>\$ 784,240</u>	<u>\$ 789,488</u>	<u>\$ (427,035)</u>	<u>\$ (5,248)</u>

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

Durant Public School District
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Education Technology Fund
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Federal sources	\$ -	\$ 113,782	\$ 113,782	\$ (113,782)	\$ -
Total Revenues	\$ -	\$ 113,782	\$ 113,782	\$ (113,782)	\$ -
Expenditures					
Support services	\$ -	\$ 113,782	\$ 113,782	\$ (113,782)	\$ -
Total Expenditures	\$ -	\$ 113,782	\$ 113,782	\$ (113,782)	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Other Financing Sources (Uses)					
Other financing sources	\$ -	\$ 28	\$ 28	\$ (28)	\$ -
Total Other Financing Sources (Uses)	\$ -	\$ 28	\$ 28	\$ (28)	\$ -
Net Change in Fund Balances	\$ -	\$ 28	\$ 28	\$ (28)	\$ -
Fund Balances					
July 1, 2004	\$ -		\$ -	\$ -	\$ -
June 30, 2005	\$ -	\$ 28	\$ 28	\$ (28)	\$ -

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

Durant Public School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2005

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before a date established by the Mississippi Board of Education (generally on or about September 1 of the following fiscal year). A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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Charles L. Shivers, CPA

122 Trace Ridge Drive
Ridgeland, MS 39157
Phone: (601) 853-7133

Member
AICPA
MSCPA

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

Superintendent and School Board
Durant Public School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Durant Public School District as of and for the year ended June 30, 2005, which collectively comprise the district's basic financial statements and have issued my report thereon dated February 24, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the school district's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2005-01.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider item 2005-01 to be a material weaknesses. Certain insignificant internal control matters have been communicated to management in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests 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 district's 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.

A handwritten signature in cursive script, appearing to read "Chad S. Smith".

Ridgeland, MS
February 24, 2006

Charles L. Shivers, CPA

122 Trace Ridge Drive
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Durant Public School District

Compliance

I have audited the compliance of the Durant Public 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 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no 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 district's 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.

A handwritten signature in black ink, appearing to read "Chad J. Smith". The signature is written in a cursive style with a large initial "C".

Ridgeland, MS
February 24, 2006

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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Charles L. Shivers, CPA

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Durant Public School District

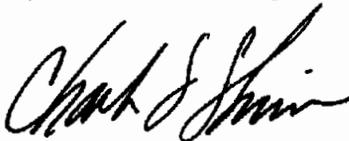
I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Durant Public School District as of and for the year ended June 30, 2005, which collectively comprise Durant Public School District's basic financial statements and have issued my report thereon dated February 24, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$666 of classroom supply funds carried over from previous years.

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



Ridgeland, MS
February 24, 2006

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Durant Public 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 basic financial statements: | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to Local Educational Agencies | |
| | CFDA #: 84.010 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

2005-01

Finding

There was an absence of accountability for extra sales to students in the cafeteria. Extra sales to students were collected at the register, but were not entered into the food service accounting system. When a student paid for extra items, the money collected was merely placed in the cash register. Only adult paid meals were accounted for through the food service accounting system. At the end of the day, the system would calculate the number and dollar amount of adult paid meals. Cafeteria staff would subtract that amount from the total cash in the cash register to determine the amount of extras items sold to students. In essence, there was no accountability of extra items sold to students. It is important to note that extra sales to students were \$32,691 in the 2004 FY and \$21,133 in the 2005 FY resulting in a decline of \$11,558. According to cafeteria personnel, some of the difference is due to ice cream products not being sold as an extra item in the 2005 FY. The dollar amount related to this explanation could not be readily determined.

It also came to our attention that several employees of the district were eating for free in the cafeteria when in fact they should have been paying for the meals. The extent of this practice could not be readily determined.

Durant Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Recommendation

It is recommended that extra sales to students be accounted for at the point of sale through the cash register using the food service accounting system. It is also recommended that the practice of providing free meals to non-cafeteria employees be abolished.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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Durant Public School District

Developing • Performing • Succeeding

GLENN A. CARLISLE
Superintendent

5 Madison Street
P. O. Box 669
Durant, MS 39063

Phone: 662.653.3175
Fax: 662.653.6151

March 8, 2006

As required by Section 315(c) of OMB Circular A-133, the Durant Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005.

Finding

2005-01

Corrective Action Plan

The Cafeteria Manager will ensure accountability for extra sales to students in the cafeteria. Both adult meals and extra food sales will be accounted for in the food service accounting system. Payments for extra food sales will be collected at a separate cash register. Also, at the district level, expenditures for items used as extra food sales will be accounted for by the assigning of a separate general ledger account code. These actions will commence immediately.

The Cafeteria Manager will ensure that the provision of free meals to non-cafeteria employees be abolished immediately.

Sincerely,

Glennie Carlisle, Superintendent
Durant Public School District

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



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Durant Public School District

Developing • Performing • Succeeding

GLENN A. CARLISLE

Superintendent

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Summary Schedule of Prior Audit Findings

February 21, 2006

Financial and Compliance Audit Division

As required by Section ____ .315(b) of OMB Circular A-133, the Durant Public School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2005.

<u>Finding</u>	<u>Status</u>
2004-01	Corrected

Sincerely,

Glenn A. Carlisle
Superintendent of Education

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