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Enterprise School District
Audited Financial Statements
June 30, 2005

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

FINANCIAL AUDIT REPORT

**Enterprise School District
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INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

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

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

September 27, 2005
Superintendent and School Board
Enterprise School District

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

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

In my opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise 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 our report dated September 27, 2005, on my consideration of the Enterprise School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 8 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 45 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation 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 Enterprise School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$175,477, which represents a 4.43% increase from fiscal year 2004.
- General revenues account for \$5,318,850 in revenue, or 83% of all revenues. This amount was less when compared to the general revenues reported for the year 2004, which consisted of \$5,419,794 in revenue, or 84% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$1,121,726 or 17% of total revenues compared with \$1,055,892 in 2004.
- The District had \$6,265,099 in expenses, an amount that increased when compared with the \$5,683,915 in expenses for the prior year; only \$1,121,726 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,318,850 were adequate to provide for these programs.
- Among major funds, the General Fund had \$4,928,898 in revenues and \$4,876,735 in expenditures. In 2004 the General Fund had \$5,190,710 in revenues and \$4,570,473 in expenditures. The General Fund's fund balance increased \$143,118 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$330,264.
- Long-term debt increased by \$1,542,758.

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 16 and 17 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 20 and 24, 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 18 and 22 of this report.

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 27-40 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 42-45 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - Governmental Funds have been incorporated to this report right after the schedule of federal awards. The schedule of federal awards is required by OMB Cir. A-133 and can be found on page 47 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 \$4,138,628 as of June 30, 2005.

The District's net assets (6.15%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

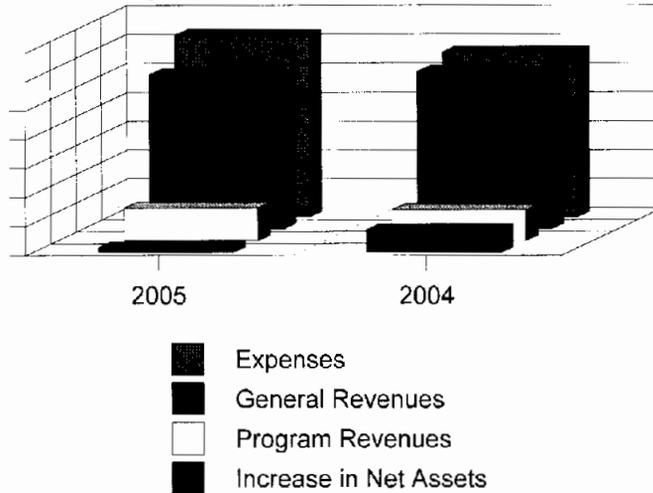
The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005 and 2004.

Assets	<u>2005</u>	<u>2004</u>
Current assets	\$ 4,185,874	\$ 2,558,564
Capital assets, net	<u>3,119,618</u>	<u>2,789,354</u>
Total assets	<u>7,305,492</u>	<u>5,347,918</u>
Liabilities		
Current liabilities	271,162	31,823
Long-term debt outstanding	<u>2,895,702</u>	<u>1,352,944</u>
Total liabilities	<u>3,166,864</u>	<u>1,384,767</u>
Net assets:		
Invested in capital assets, net of related debt	254,610	1,464,528
Restricted	2,383,716	1,341,025
Unrestricted	<u>1,500,302</u>	<u>1,157,598</u>
Total net assets	<u>\$ 4,138,628</u>	<u>\$ 3,963,151</u>

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$6,440,576. The total cost of all programs and services was \$6,265,099. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 1,121,726	\$ 1,055,892
General revenues	<u>5,318,850</u>	<u>5,419,794</u>
Total revenues	<u>6,440,576</u>	<u>6,475,686</u>
Expenses:		
Instruction	3,720,338	3,507,593
Support services	1,794,737	1,723,270
Non-instructional	332,116	299,622
Sixteenth section	47,828	72,698
Interest on long-term liabilities	<u>370,080</u>	<u>80,732</u>
Total expenses	<u>6,265,099</u>	<u>5,683,915</u>
Increase in net assets	<u>\$ 175,477</u>	<u>\$ 791,771</u>

Comparative Chart of Statement of Activities Data

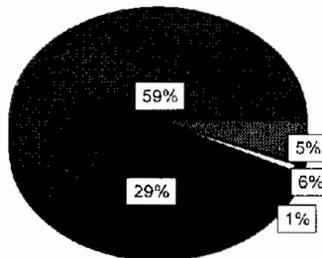


Governmental

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.

	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$3,720,338	\$ (3,489,5454)
Support services	1,794,737	(1,479,255)
Non-instructional	332,116	207,965
Sixteenth section	47,828	(11,659)
Interest on long-term liabilities	<u>370,080</u>	<u>(370,879)</u>
Total expenses	<u>\$6,265,099</u>	<u>\$ (5,143,373)</u>

Expense Chart as per Statement of Activities



- Instruction
- Support Services
- Sixteenth Section
- Interest in LT Liabilities
- Non Instructional Services

- Net cost of governmental activities (\$5,143,373), was financed by general revenue, which is made up of primarily property taxes \$(1,452,559) and state revenue \$(3,521,627).
- Sixteenth section sources accounted for \$248,629 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 \$3,928,905, an increase of \$1,387,076 due primarily to the recognition of QZAB construction funds and an increase in ad valorem. \$3,808,050 or 96.92% 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 \$120,855 or 3.08% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$143,118, a result of an increase in ad valorem taxes. The increase in the Sixteenth Section Interest Fund was \$250,339, while the decrease in the Public School Building Fund (State Funds) was \$332,215 due to the sale of sixteenth section timber and construction work in progress. The fund balance in the QZAB Fund showed an increase of \$1,333,189, the reason for this increase was the inception of the QZAB. The fund balance of Other Governmental Funds showed a decrease of \$7,355 due primarily to an increase in expenditures over revenues.

BUDGETARY HIGHLIGHTS

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

- It was revised to reflect the recognition of the actual revenues and expenditures occurring.

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 \$4,363,233, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$430,718 from the previous year. Total accumulated

depreciation as of June 30, 2005 was \$1,243,615 and total depreciation expense for the year was \$129,773, resulting in total net assets of \$3,119,618.

Additional information of the District's capital assets can be found in Note 4 on page 35 of this report.

Debt Administration. At June 30, 2005, the District had \$2,895,702 in general obligation bonds outstanding and other long-term debt outstanding, of which \$131,237 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 35 of this report.

CURRENT ISSUES

The Enterprise 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Enterprise School District, 503 River Road, Enterprise, MS 39330 .

FINANCIAL STATEMENTS

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
Assets	
<i>Cash and cash equivalents</i>	\$ 4,060,443
<i>Restricted assets</i>	33,947
<i>Due from other governments</i>	84,131
<i>Inventories and prepaid items</i>	7,353
<i>Capital assets, net</i>	3,119,618
Total Assets	<u>7,305,492</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	256,970
<i>Interest payable on long-term liabilities</i>	14,192
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	128,168
<i>Non-capital related liabilities</i>	3,069
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	2,736,840
<i>Non-capital related liabilities</i>	27,625
Total Liabilities	<u>3,166,864</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	254,610
Restricted For:	
School - based activities	374,752
Debt Service	10,273
Capital Improvements	1,865,252
Forestry Improvements	83,774
Unemployment Benefits	11,875
Sixteenth section	
Expendable	2,190
Nonexpendable	35,600
Unrestricted	1,500,302
Total Net Assets	<u>\$ 4,138,628</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE 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 government					
Governmental Activities:					Governmental Activities
<i>Instruction</i>	3,720,338	184,585	45,409	--	(3,490,344)
<i>Support services</i>	1,794,737	--	315,482	--	(1,479,255)
<i>Noninstructional services</i>	332,116	140,739	371,368	27,974	207,965
<i>Sixteenth section</i>	47,828	36,169	--	--	(11,659)
<i>Interest on long-term liabilities</i>	370,080	--	--	--	(370,080)
Total Primary Government	<u>\$ 6,265,099</u>	<u>\$ 361,493</u>	<u>\$ 732,259</u>	<u>\$ 27,974</u>	<u>(5,143,373)</u>
General Revenues:					
Taxes:					
					1,318,592
<i>General purpose levies</i>					133,967
<i>Debt purpose levies</i>					
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					3,521,627
<i>Federal</i>					17,308
<i>Unrestricted investment earnings</i>					69,737
<i>Sixteenth section sources</i>					248,629
<i>Other</i>					8,990
Total general revenues					<u>5,318,850</u>
Change in Net Assets					
Net Assets - Beginning					
Net Assets - Ending					
					<u>175,477</u>
					<u>3,963,151</u>
					<u>\$ 4,138,628</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Sixteenth Section Interest Funds
ASSETS		
<i>Cash and cash equivalents</i>	\$ 418,158	\$ 1,270,228
<i>Due from other governments</i>	50,529	--
<i>Due from other funds</i>	131,198	1,217
<i>Inventories and prepaid items</i>	--	--
Total Assets	\$ 599,885	\$ 1,271,445
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 24,313	\$ 3,000
<i>Due to other funds</i>	18,765	35,854
Total Liabilities	43,078	38,854
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Ad valorem</i>	113,502	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	443,305	--
<i>Special Revenue funds</i>	--	1,232,591
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<i>Permanent funds</i>	--	--
Total Fund Balances	556,807	1,232,591
Total Liabilities and Fund Balances	\$ 599,885	\$ 1,271,445

The accompanying notes are an integral part of this statement.

EXHIBIT C

Building Fund Other CPF	QZAB DSF	Other Governmental Funds	Total Governmental Funds
\$ 513,802	\$ 1,665,689	\$ 226,514	\$ 4,094,391
--	--	5,823	56,352
14,290	--	46,520	193,225
--	--	7,353	7,353
<u>\$ 528,092</u>	<u>\$ 1,665,689</u>	<u>\$ 286,210</u>	<u>\$ 4,351,321</u>
\$ --	\$ 228,843	\$ 812	\$ 256,968
--	103,657	7,172	165,448
<u>--</u>	<u>332,500</u>	<u>7,984</u>	<u>422,416</u>
--	--	7,353	7,353
--	--	--	113,502
--	--	--	443,305
--	--	220,554	1,453,145
528,092	1,333,189	3,970	1,865,251
--	--	8,559	8,559
--	--	37,790	37,790
<u>528,092</u>	<u>1,333,189</u>	<u>278,226</u>	<u>3,928,905</u>
<u>\$ 528,092</u>	<u>\$ 1,665,689</u>	<u>\$ 286,210</u>	<u>\$ 4,351,321</u>

ENTERPRISE SCHOOL DISTRICT

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

Total fund balances - governmental funds balance sheet	\$ 3,928,905
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,119,618
Liabilities due in one year	(131,237)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,661,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(14,193)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(27,625)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(75,840)
Rounding difference	(1)
Net assets of governmental activities - statement of net assets	<u>\$ 4,138,628</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Sixteenth Section Interest Funds
Revenue:		
<i>Local sources</i>	\$ 1,531,247	\$ 6,872
<i>State sources</i>	3,380,343	--
<i>Federal sources</i>	17,308	--
<i>Sixteenth section sources</i>	--	243,467
Total revenues	4,928,898	250,339
Expenditures:		
Instruction	3,077,488	--
Support services	1,600,208	--
Noninstructional services	--	--
Sixteenth section	13,002	--
Facilities acquisition and construction	--	--
Debt service:		
<i>Principal</i>	157,401	--
<i>Interest</i>	--	--
<i>Other</i>	28,636	--
Total expenditures	4,876,735	--
 Excess (deficiency) of revenues (over) expenditures	 52,163	 250,339
Other financing sources (uses):		
Proceeds of loans	--	--
Insurance loss recoveries	5,280	--
Sale of transportation equipment	469	--
Operating transfers in	565,788	--
Operating transfers out	(480,582)	--
Other financing uses	--	--
Total other financing sources (uses)	90,955	--
 Net change in fund balance	 143,118	 250,339
Fund Balances:		
July 1, 2004	413,689	982,252
Increase (decrease) in reserve for inventory	--	--
June 30, 2005	\$ 556,807	\$ 1,232,591

The accompanying notes are an integral part of this statement.

EXHIBIT D

Building Fund Other CPF	QZAB DSF	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 35,093	\$ 277,648	\$ 1,850,860
--	--	282,177	3,662,520
--	--	619,340	636,648
--	--	41,331	284,798
--	35,093	1,220,496	6,434,826
--	--	626,551	3,704,039
95,585	--	111,958	1,807,751
--	--	317,618	317,618
--	--	34,826	47,828
--	347,227	--	347,227
--	--	2,417	159,818
--	54,677	35,905	90,582
--	--	--	28,636
95,585	401,904	1,129,275	6,503,499
(95,585)	(366,811)	91,221	(68,673)
--	1,700,000	--	1,700,000
--	--	--	5,280
--	--	--	469
513,370	--	21,782	1,100,940
(500,000)	--	(120,358)	(1,100,940)
(250,000)	--	--	(250,000)
(236,630)	1,700,000	(98,576)	1,455,749
(332,215)	1,333,189	(7,355)	1,387,076
860,307	--	286,399	2,542,647
--	--	(818)	(818)
\$ 528,092	\$ 1,333,189	\$ 278,226	\$ 3,928,905

ENTERPRISE SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 1,387,076
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	462,424
The depreciation of capital assets used in governmental activities is not reported in the funds.	(129,773)
Change in inventory from beginning to end of period	(818)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	108,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	51,818
(Increase) decrease in accrued interest from beginning of period to end of period	1,714
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,576)
Proceeds of QZAB debt are not reported in the SOA.	(1,700,000)
Adjustments to accumulated depreciation	(2,387)
Rounding difference	(1)
Change in net assets of governmental activities - statement of activities	\$ 175,477

The accompanying notes are an integral part of this statement.

ENTERPRISE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and cash equivalents</i>	\$ 297,202
Total Assets	\$ 297,202
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 264,456
<i>Due to student clubs</i>	4,969
<i>Due to other funds</i>	27,777
Total Liabilities	\$ 297,202

The accompanying notes are an integral part of this statement.

Enterprise School District

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

Enterprise School District

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Enterprise School District

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

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.

Sixteenth Section Interest Fund - The Sixteenth Section Interest Funds are funds used to account for maintaining and improving sixteenth section lands. Only the earnings, and not the principal, may be used.

Enterprise School District

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

Public School Building Fund (State Funds) - This fund is used to account for state revenues used for building, renovation, and equipping of school facilities.

OZAB Fund - This fund is used to account for annual deposits required to be paid to the Qualified Zone Academy Bond Fund.

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.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the 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.

Enterprise School District

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

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.

Enterprise School District

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

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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.

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 on 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 expend them and to

Enterprise School District

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

(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 of interfund transactions, including receivables and payables at year-end

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

Enterprise School District

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

M.. Property Taxes.

Ad valorem property taxes are levied by the governing authorities of the county and 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.

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

The carrying amount of the district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,094,391 and \$297,202 respectively. The

Enterprise School District

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

carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$4,060,443 and Restricted Assets \$33,947. The Restricted Assets represent the cash balance of the Sixteenth Section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$4,777,358.67.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of \$4,777,358.67 was exposed to custodial credit risk

(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	\$ 131,198	18,765
Other major funds		
Sixteenth Section Interest Fund	1,217	35,854
Public School Building Fund	14,290	0
QZAB Fund		103,657
Other Governmental Non-Major Funds	46,520	7,172
Agency Funds	<u>0</u>	<u>27,777</u>
Total Funds	<u>\$ 193,225</u>	<u>193,225</u>

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

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Major funds:		
General fund	\$ 565,788	480,582
Other major funds		
Public School Building Fund	513,370	500,000
Non-major Funds	<u>21,782</u>	<u>120,358</u>

Enterprise School District

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

	<u>Transfer In</u>	<u>Transfer Out</u>
Total Funds	\$ <u>1,100,940</u>	<u>1,100,940</u>

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

(4) Capital Assets.

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

	Balance 7-1-2004	Addition	Retirement	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>					
Land	155,430	0	0	0	155,430
Construction in Progress	0	347,227	0	0	347,227
Total non-depreciable capital assets	155,430	347,227	0	0	502,657
<u>Depreciable capital assets:</u>					
Buildings	2,865,109	0	0	0	2,865,109
Improvements other than buildings	58,082	0	0	0	58,082
Mobile equipment	667,779	93,722	(31,706)	0	729,795
Furniture and equipment	186,115	21,475	0	0	207,590
Total depreciable capital assets	3,777,085	115,197	(31,706)	0	3,860,576
<u>Less accumulated depreciation for:</u>					
Buildings	578,656	52,538	0	0	631,194
Improvements other than buildings	16,263	2,323	0	0	18,586
Mobile equipment	417,512	49,419	31,706	2,387	437,612
Furniture and equipment	130,730	25,493	0	0	156,223
Total accumulated depreciation	1,143,161	129,773	31,706	2,387	1,243,615
Total depreciable capital assets, net	2,633,924	(14,576)	0	(2,387)	2,616,961
Governmental activities capital assets, net	2,789,354	332,651	0	(2,387)	3,119,618

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 37,772
Support services	78,321
Non-Instructional	<u>13,680</u>
Total depreciation expense	\$129,773

(5) Long-term liabilities.

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

Enterprise School District

**Notes to the Financial Statements
For the Year Ended June 30, 2005**

	Balance 7-1-2004	Additions	Reductions	Balance 6-30-2005	Amounts due within one year
A. Certificates of participation payable	1,182,000	0	108,000	1,074,000	113,000
B. QZAB	0	1,700,000	0	1,700,000	0
C. Shortfall notes payable	36,650	0	36,650	0	0
D. Other loans payable	106,176	0	15,168	91,008	15,168
E. Compensated absences payable	<u>28,118</u>	<u>2576</u>	<u>0</u>	<u>30,694</u>	<u>3,069</u>
Total	<u>1,352,944</u>	<u>1,702,576</u>	<u>159,818</u>	<u>2,895,702</u>	<u>131,237</u>

A. Certificates of Participation Payable.

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1998 building project- Trust certificate	4.8	05-28-98	4/1/2013	\$ 950,000	588,000
1999 building project Trust certificate	4.9	10-19-99	4/1/2013	<u>750,000</u>	<u>486,000</u>
Total				\$ <u>1,700,000</u>	<u>1,074,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2006	113,000	52,038	165,038
2007	119,000	46,563	165,563
2008	124,000	40,797	164,797
2009	130,000	34,789	164,790
2010	137,000	28,490	165,490
2011-2013	<u>451,000</u>	<u>44,334</u>	<u>495,334</u>
Total	\$1,074,000	247,011	1,321,011

This debt will be retired from the Interim Capital Expenditures Fund.

B. Qualified Zone Academy Bonds Payable.

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Enterprise School District

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2004	2.5%	08-12-04	08-12-18	\$ 1,700,000	1,700,000
Total				\$ 1,700,000	1,700,000

C. Shortfall notes payable.

This debt was repaid during the fiscal year.

D. Other loans payable.

The school district has issued debt instruments granted under Section 37-59-101 of the Mississippi State Code.

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>
Installment Promissory Note	5.20%	5/6/01	4/6/11	\$ 151,680	91,008
Total				\$ 151,680	91,008

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	15,168	4,732	19,900
2007	15,168	3,944	19,112
2008	15,168	3,155	18,323
2009	15,168	2,366	17,534
2010	15,168	1,577	16,745
2011	15,168	789	15,957
Total	\$ 91,008	16,563	107,571

This debt will be retired from the general fund.

E. Compensated absences payable.

As more fully explained in Note 1 (O), compensated absences payable is adjusted

Enterprise School District

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

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.

(6) Defined Benefit 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 \$346,245, \$326,427, and \$303,337 respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	\$ 42,802
2007	42,802
2008	<u>42,802</u>
Total	\$ <u>128,406</u>

Enterprise School District

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

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately ninety school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workman's Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South in Jackson, Mississippi. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) Trust Certificates.

A trust agreements dated May 29, 1998, and October 19, 1999, was executed by and between the school district and East Central Mississippi Non-Profit Corporation, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 and \$750,000. Approximately \$1,680,516 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,484 was used to pay the cost of issuance.

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

Enterprise School District

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

school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

(10) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, has entered into such an arrangement dated 08-12-2004.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before August 11. The amount accumulated in the sinking fund at the end of the period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2006	\$	117,029
2007		117,029
2008		117,029
2009		117,029
2010		117,029
2011 - 2015		382,128
Total	\$	<u>967,273</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,255,427	1,497,188	1,531,247	241,761	34,059
State sources	3,437,660	3,352,404	3,380,343	(85,256)	27,939
Federal sources		17,308	17,308	17,308	0
Total Revenues	4,693,087	4,866,900	4,928,898	173,813	61,998
Expenditures:					
Instruction	3,060,841	3,092,881	3,077,488	32,040	(15,393)
Support services	1,531,266	1,575,891	1,600,208	44,625	24,317
Sixteenth section	21,100	13,002	13,002	(8,098)	0
Debt service:				0	0
Principal	123,168	123,168	157,401	0	34,233
Interest	62,792	34,233	0	(28,559)	(34,233)
Other	0	28,636	28,636	28,636	0
Total Expenditures	4,799,167	4,867,811	4,876,735	68,644	8,924
Excess (Deficiency) of Revenues Over Expenditures	(106,080)	(911)	52,163	105,169	53,074
Other Financing Sources (Uses):					
Insurance loss recoveries	0	5,281	5,280	5,281	(1)
Sale of transportation equipment	0	469	469	469	0
Operating transfers in	96,088	558,103	565,788	462,015	7,685
Operating transfers out	(250,000)	(466,443)	(480,582)	(216,443)	14,139
Total Other Financing Sources (Uses)	(153,912)	97,410	90,955	251,322	6,455
Net Change in Fund Balances	(259,992)	96,499	143,118	356,491	46,619
Fund Balances:					
July 1, 2004	646,501	509,936	413,689	(136,565)	(96,247)
Prior period adjustments (Note)	0	(250)	0	0	4,365
July 1, 2004, as restated	646,501	509,686	413,689	(136,815)	(95,997)
June 30, 2005	\$ 386,509	606,185	556,807	219,676	(49,378)

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

ENTERPRISE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2005

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources		6,873	6,872	6,873	(1)
Sixteenth section sources	202,490	243,466	243,467	40,976	1
Total Revenues	<u>202,490</u>	<u>250,339</u>	<u>250,339</u>	<u>47,849</u>	<u>0</u>
Expenditures:					
Sixteenth Section	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>202,490</u>	<u>250,339</u>	<u>250,339</u>	<u>47,849</u>	<u>0</u>
Other Financing Sources (Uses):					
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>202,490</u>	<u>250,339</u>	<u>250,339</u>	<u>47,849</u>	<u>0</u>
Fund Balances:					
July 1, 2004	779,762	1,232,591	982,252	452,829	(250,339)
Prior period adjustments (Note)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
July 1, 2004, as restated	<u>779,762</u>	<u>1,232,591</u>	<u>982,252</u>	<u>452,829</u>	<u>(250,339)</u>
June 30, 2005	<u>\$ 982,252</u>	<u>1,482,930</u>	<u>1,232,591</u>	<u>500,678</u>	<u>(250,339)</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Enterprise School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

SUPPLEMENTAL INFORMATION

Enterprise School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$21,109
Child Nutrition Cluster:		
School Breakfast Program	10.553	47,221
National School Lunch Program	10.555	171,545
Total Child Nutrition cluster		<u>218,766</u>
Total passed-through the MDE		<u>218,766</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>239,875</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	129,219
Safe and Drug-Free Schools and Communities - State Grants	84.186	6,707
State Grants for Innovative Programs	84.298	6,932
Improving teacher quality - state grants	84.367	35,904
Special Education Cluster:		
Special Education - Grants to States	84.027	184,429
Special Education - Preschool Grants	84.173	16,275
Total Special Education Cluster		<u>200,704</u>
Total passed-through the MDE		<u>379,466</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>379,466</u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$619,341</u></u>

Notes to Schedule

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

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

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits	\$ 4,671,303	3,381,932	1,155,903	133,469
Other	1,832,195	322,108	775,439	734,648
Total	\$ 6,503,499	3,704,039	1,931,342	868,118
Total number of students *	863			
Cost per student	\$ 7,536	4,292	2,238	1,006

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

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

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

September 27, 2005
Superintendent and School Board
Enterprise School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2005, and have issued my report thereon dated September 27, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and other matters

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

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



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

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

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

September 27, 2005
Superintendent and School Board
Enterprise School District

Compliance

I have audited the compliance of the Enterprise School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

In my opinion, the Enterprise 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 Enterprise School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine 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 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, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



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

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

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

September 27, 2005
Superintendent and School Board
Enterprise School District

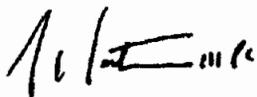
I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Enterprise School District as of and for the year ended June 30, 2005, which collectively comprise Enterprise School District's basic financial statements and have issued my report thereon dated September 27, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of 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 \$17,070.93 of classroom supply funds carried over from previous years.

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

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



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

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Enterprise School District

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs tested as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

Enterprise School District
503 River Road
Enterprise, MS 39330
Arthur H. McMillan - Superintendent
Karen Benefield- Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____315(b) of OMB Circular A-133, the Enterprise School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
No Findings	a. Name of Contact Person Responsible for Corrective Action: name: Not Applicable title: phone number: b. Corrective Action Planned: Not Applicable c. Anticipated Completion Date: Not Applicable