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EAST TALLAHATCHIE SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

Robert Britt, CPA, P. A.
Clarksdale, Mississippi



EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
East Tallahatchie School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2005, which collectively comprise the East Tallahatchie School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the East Tallahatchie 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 misstatements. 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, 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 of the East Tallahatchie 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 May 16, 2006 on my consideration of the East Tallahatchie School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages (7) through (11) and the Budgetary Comparison Schedule and corresponding notes on pages (32) through (34) 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 made for the purpose of forming opinions on the financial statements that collectively comprise the East Tallahassee 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 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



May 16, 2006

EAST TALLAHATCHIE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST TALLAHATCHIE SCHOOL DISTRICT

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

The discussion and analysis of East Tallahatchie School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

FINANCIAL HIGHLIGHTS

Total net assets increased by \$ 632,180, which represents 19.37% increase from fiscal year 2004.

General revenues account for \$ 8,119,495 in revenue, or 69% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,586,240 or 31% of total revenues.

The District had \$11,073,555 in expenses; only \$3,586,240 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$ 8,119,495 and assets carried over from the prior year were adequate to provide for these programs.

Among major funds, the General Fund had \$8,431,735 in revenues and \$7,669,659 in expenditures. The General Fund's fund balance increased \$588,201 over the prior year. This increase is from sound fiscal management. The Child Nutrition Fund had \$825,057 in revenues and \$804,720 in expenditures. The Child Nutrition Fund's fund balance decreased by \$10,045 from the prior year. This decrease is due to equipment replacement. Under normal conditions this fund should not show either a large increase or decrease in fund balance from year to year. Discounting unforeseen events the District should remain in sound fiscal condition.

Capital assets, net of accumulated depreciation, increased by \$37,382.

Long-term liabilities decreased by \$11,090. The district not issued any new debt during the current fiscal year and is debt free except for compensated absences payable.

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 14-15 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 17 and 19, 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 16 and 18, respectively.

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 20 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 21-29 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 32-34 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 36-37 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 \$3,896,201 as of June 30, 2005.

The largest portion of the District's net assets (49.6%) is unrestricted net assets. These unrestricted assets are available for any legal purpose at the discretion of the board. The next largest portion of the District's net assets (47.9%) is its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District's financial position is a product of several financial transactions including the net result of activities, the 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 compared to the same period in 2004.

	<u>Governmental Activities</u>		<u>Percentage</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Current assets	2,239,375	1,591,123	40.74%
Capital assets, net	<u>1,867,504</u>	<u>1,748,073</u>	<u>6.83%</u>
Total assets	<u>4,106,879</u>	<u>3,339,196</u>	<u>22.99%</u>
Current liabilities	131,563	67,019	96.31%
Long-term debt outstanding	<u>79,115</u>	<u>90,205</u>	<u>-12.29%</u>
Total liabilities	<u>210,678</u>	<u>157,224</u>	<u>34.00%</u>
Net assets:			
Invested in capital assets, net of related debt	1,867,504	1,748,073	6.83%
Restricted	97,502	66,890	45.76%
Unrestricted	<u>1,931,195</u>	<u>1,367,009</u>	<u>-41.27%</u>
Total net assets	<u>3,896,201</u>	<u>3,181,972</u>	<u>22.45%</u>

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

The addition of \$160,385 in capital assets from the purchasing of two new buses.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2005 were \$11,705,735. The total cost of all programs and services was \$11,073,555. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 compared to the same period in 2004.

	Governmental Activities		Percent Change
	2005	2004	
Revenues:			
Program revenues	\$3,586,240	\$2,518,889	42.37%
General Revenues	<u>8,119,495</u>	<u>8,099,846</u>	0.24%
Total revenues	<u>\$11,705,735</u>	<u>\$10,618,735</u>	10.24%
Expenses:			
Instruction	\$6,714,647	\$6,475,657	3.69%
Support services	3,476,640	3,288,300	5.73%
Non-instructional	787,074	722,159	8.99%
Sixteenth section	95,194	67,702	40.61%
Interest on long-term obligations	0	<u>7,851</u>	-100.00%
Total Expenses	<u>11,073,555</u>	<u>10,561,669</u>	4.85%
Special items:			
Repaynebt of prior year over remitted taxes to Tallahatchie County	0	<u>(73,849)</u>	-100.00%
Total special items	0	<u>(73,849)</u>	-100.00%
Increase (Decrease) in net assets	<u>\$632,180</u>	<u>(\$16,783)</u>	-3866.79%

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

	Total Cost of Services		Percent Change	Net Revenue (Expense)		Percent Change
	2005	2004		2005	2004	
Instruction	6,714,647	6,475,657	3.69%	(4,841,040)	(5,208,618)	-7.06%
Support services	3,476,640	3,288,300	5.73%	(2,591,504)	(2,711,156)	-4.41%
Non-instructional	787,074	722,159	8.99%	40,423	(47,453)	-185.19%
Sixteenth section	95,194	67,702	40.61%	(95,194)	(67,702)	40.61%
Interest on long-term obligatio	0	<u>7,851</u>	-100.00%	0	<u>(7,851)</u>	-100.00%
	<u>11,073,555</u>	<u>10,561,669</u>	4.85%	<u>(7,487,315)</u>	<u>(8,042,780)</u>	-6.91%

Net cost of governmental activities (\$ 7,487,315), was financed by general revenue, which is made up of primarily property taxes (\$1,111,611), state revenue (\$ 6,569,688), sixteenth section sources (\$ 302,012) and federal revenue (44,161).

Investment earnings accounted for \$35,144 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 \$2,107,812, an increase of \$582,182 due primarily to sound fiscal management. \$1,999,131 or 95% 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 \$108,681 or 5% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$ 588,201 primarily due primarily to sound fiscal management. The Child Nutrition Fund's fund balance decreased by \$10,045 from the prior year due to equipment replacement. The fund balance of Other Governmental Funds showed an increase of \$4,026 due primarily accumulated debt service revenue.

BUDGETARY HIGHLIGHTS

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

Budget amounts for revenue in the general fund were decreased because revenues were less than those originally expected. Expenditures were also reduced because some expenditures were dependent on receiving state revenue for funding. Budgeted amounts for revenue in the Child Nutrition Fund were reduced because program participation was less than anticipated and revenues are based on participation. Expenditures also were reduced because participation was less than expected. In other governmental funds expenditures and revenue was adjusted to actual amounts.

A schedule showing the original and final budget amounts compared to the District's actual financial 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 \$5,525,426, including land, school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$154,888 from the previous year due primarily to the purchase of transportation equipment. Total accumulated depreciation as of June 30, 2005 was \$3,657,922 and total depreciation expense for the year was \$122,948, resulting in total net assets of \$1,867,504.

Additional information of the District's capital assets can be found in Note 5 on pages 26 and 27 of this report.

Debt Administration. At June 30, 2005, the District had \$79,115 in other long-term debt outstanding, which is composed only of compensated absences payable.

The District maintains a AA bond rating.

Additional information of the District's long-term debt can be found in Note 6 on page 27 of this report.

CURRENT ISSUES

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

The District is now committed to financial excellence. The millage has remained fairly constant over the last few years and no major increase is expected in the future. In addition, 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.

Latest enrollment figures indicate that student enrollment in the District remain virtually unchanged. The budget for the next fiscal year has taken this into account in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the East Tallahatchie School District, 411 Chestnut Street, Charleston, MS 38921.

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

EAST TALLAHATCHIE SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 1,965,338
Due from other governments	163,520
Other receivables	1,836
Inventories and prepaid items	11,179
Restricted assets	97,502
Capital assets, net (Note 5)	<u>1,867,504</u>
 Total Assets	 \$ <u>4,106,879</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 101,077
Deferred revenue	29,746
Other payables	740
Current portion long-term liabilities (Note 6)	11,090
 Long-term liabilities, due beyond one year	
Non-capital related liabilities (Note 6)	<u>68,025</u>
 Total Liabilities	 \$ <u>210,678</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 1,867,504
Restricted net assets:	
Expendable:	
Unemployment benefits	39,121
Forestry improvement purposes	4,093
Debt service	26,434
Nonexpendable	
Sixteenth section	7,854
Endowment	20,000
Unrestricted	<u>1,931,195</u>
 Total Net Assets	 \$ <u>3,896,201</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Assets
				Primary Governmental Activities
Primary Government:				
Governmental Activities:				
Instruction	\$ 6,714,647	270,037	1,603,570	(4,841,040)
Support services	3,476,640		885,136	(2,591,504)
Non-instructional	787,074	54,653	772,844	40,423
Sixteenth Section	95,194			(95,194)
Total governmental activities	\$ <u>11,073,555</u>	<u>324,690</u>	<u>3,261,550</u>	<u>(7,487,315)</u>
Taxes:				
				1,060,713
General purpose levies				26,250
Debt service levies				24,648
Other				
Unrestricted grants and contributions:				
				6,569,688
State				44,161
Federal				35,144
Unrestricted investment earnings				302,012
Sixteenth section sources				55,960
Other				919
Gain on disposition of assets				
Total General Revenues				<u>8,119,495</u>
Change in Net Assets				<u>632,180</u>
Net Assets - Beginning				3,181,972
Prior period adjustment (Note 8)				<u>82,049</u>
Net Assets - Beginning, as restated				<u>3,264,021</u>
Net Assets - Ending				\$ <u><u>3,896,201</u></u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2005

	Major Funds			Total Governmental Funds
	General Fund	Child Nutrition Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents (Note 3)	\$ 1,646,670	121,584	294,586	2,062,840
Due from other governments	94,146		69,374	163,520
Due from other funds (Note 4)	62,955		273	63,228
Inventories and prepaid items		11,179		11,179
Other receivables	1,836			1,836
Total Assets	\$ 1,805,607	132,763	364,233	2,302,603
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 64,277	957	35,843	101,077
Due to other funds (Note 4)	883	30,000	32,345	63,228
Deferred revenue			29,746	29,746
Other payables			740	740
Total Liabilities	65,160	30,957	98,674	194,791
Fund Balances:				
Reserved for:				
Inventory		11,179		11,179
Unemployment benefits			39,121	39,121
Forestry improvement purposes			4,093	4,093
Debt Service funds			26,434	26,434
Permanent funds			27,854	27,854
Unreserved:				
Undesignated, reported in:				
General fund	1,740,447			1,740,447
Special Revenue funds		90,627	168,057	258,684
Total Fund Balances	1,740,447	101,806	265,559	2,107,812
Total Liabilities and Fund Balances	\$ 1,805,607	132,763	364,233	2,302,603

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

EAST TALLAHATCHIE 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	\$ 2,107,812
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 3,657,922.	1,867,504
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(79,115)</u>
Total Net Assets - Governmental Activities	\$ <u>3,896,201</u>

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

EAST TALLAHATCHIE 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	Child	Other	
	Fund	Nutrition Fund	Governmental Funds	
Revenues:				
Local sources	\$ 1,386,358	72,452	63,710	1,522,520
State sources	7,001,217	4,487	341,872	7,347,576
Federal sources	44,160	748,118	1,740,430	2,532,708
Sixteenth section sources			302,012	302,012
Total Revenues	<u>8,431,735</u>	<u>825,057</u>	<u>2,448,024</u>	<u>11,704,816</u>
Expenditures:				
Instruction	4,945,338		1,702,888	6,648,226
Support services	2,724,270	68,364	816,772	3,609,406
Non instructional services	51	736,356	34,375	770,782
Sixteenth section			95,194	95,194
Total Expenditures	<u>7,669,659</u>	<u>804,720</u>	<u>2,649,229</u>	<u>11,123,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>762,076</u>	<u>20,337</u>	<u>(201,205)</u>	<u>581,208</u>
Other Financing Sources (Uses):				
Sale of other property	974			974
Operating transfers in	234,389		409,620	644,009
Operating transfers out	(409,238)	(30,382)	(204,389)	(644,009)
Total Other Financing Sources (Uses)	<u>(173,875)</u>	<u>(30,382)</u>	<u>205,231</u>	<u>974</u>
Net Change in Fund Balances	<u>588,201</u>	<u>(10,045)</u>	<u>4,026</u>	<u>582,182</u>
Fund Balances:				
July 1, 2004	1,152,246	110,325	261,533	1,524,104
Increase in reserve for inventory		1,526	0	1,526
June 30, 2005	\$ <u>1,740,447</u>	<u>101,806</u>	<u>265,559</u>	<u>2,107,812</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 582,182
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$160,385 and the depreciation expense amounted to \$122,948. (Note 5)	37,437
2. Decrease in Compensated absences is not recorded in the governmental funds, but decreases expense in the statement of activity. (Note 6)	11,090
3. Amounts received from disposition of assets is reported as revenue in the governmental funds, but are reduced by the net value of the assets in the in the statement of activity.	(55)
4. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but non instructional expenditures are decreased in the statement of activity.	<u>1,526</u>
Change in Net Assets of Governmental Activities	<u>\$ 632,180</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 552,466
Other receivables.	<u>11</u>
Total Assets	<u>\$ 552,477</u>
Liabilities	
Due to other governments	225,321
Other third party obligations	325,320
Due to student groups	<u>1,836</u>
Total Liabilities	<u>\$ 552,477</u>

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending 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 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 (5) member board of which each member was elected by the citizens of each defined district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

EAST TALLAHATCHIE SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ending 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 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.

Child Nutrition Fund - This fund accounts for financial resources collected for and used in the providing of meal to students.

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.

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.

Account Classifications.

D. Account Classifications.

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

E. Encumbrances.

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

F. Cash and Cash Equivalents.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

The cost 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 cost of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

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

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
Buildings improvements	\$25,000	20 years
Improvements other than buildings	\$25,000	20 years
Mobile equipment	\$ 5,000	5-10 years
Furniture and equipment	\$ 5,000	3-7 years
Leased property under capital leases	\$ *	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed.
See Note 5 for details.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

Transfers are used to (a) move revenues from the fund that statute or the budget requires to collect to the fund that statute or the 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 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

Fund reserves are portions of fund equity that are legally segregated for 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.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

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

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

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

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum 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 to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

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

P. Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Changes in Accounting Standards

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

(3) Cash and Cash Equivalents.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,062,840 and \$552,466, respectively. The carrying amount of deposits reported in the government wide statements was: Cash and cash equivalents \$2,034,986 and Restricted Assets \$27,854. The restricted assets represents the cash balance of the 16th Section Principal Fund and the Morgan Freeman Endowment Fund (Permanent Funds) which are legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$2,841,247.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, \$2,581,993 of the district's bank balance of \$2,841,247 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due to</u>
Governmental Funds		
General Fund	\$62,955	\$273
Child Nutrition Fund		30,000
Other Governmental Funds	273	32,955
Total	\$63,228	\$63,228

The purpose of interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments and set up amounts due for indirect cost which were authorized but not actually paid until after year end.

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$234,389	\$409,238
Child Nutrition Fund		30,382
Other Governmental Funds	409,620	204,389
Total	\$644,009	\$644,009

The purpose of interfund transfers from the General Funds is to finance basic operations of the vacation program and unemployment compensation fund which are not directly funded. The purpose of the interfund transfer out in the Child Nutrition Fund is to pay indirect cost to the district and fund its share of unemployment compensation. The interfund transfers out in the other governmental funds is to pay indirect cost and a transfer of \$200,000 from the Sixteenth Section Interest Fund to the District Maintenance Fund.

(5) Capital Assets.

The following is a summary of changes in capital assets:

EAST TALLAHATCHIE SCHOOL DISTRICT

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

	Balance 7-1-04	Additions	Deletions	Adjustments	Balance 6-30-05
Non-depreciable capital assets:					
Land	<u>\$50,956</u>				<u>\$50,956</u>
Depreciable capital assets:					
Buildings	2,472,129			117,200	2,589,329
Building improvements				99,233	99,233
Improvements other than buildings	801,871				801,871
Mobile equipment	1,239,723	160,385		188,956	1,589,064
Furniture and equipment	348,300		5,497	52,170	394,973
Total depreciable capital assets:	<u>\$4,862,023</u>	<u>160,385</u>	<u>5,497</u>	<u>457,559</u>	<u>\$5,474,470</u>
Less accumulated depreciation for:					
Buildings	1,668,855	32,367		105,480	1,806,702
Building improvements		4,961		4,962	9,923
Improvements other than buildings	192,910	25,560		(17,370)	201,100
Mobile equipment	1,023,885	40,452		249,521	1,313,858
Furniture and equipment	279,256	19,608	5,442	32,917	326,339
Total accumulated depreciation	<u>\$3,164,906</u>	<u>122,948</u>	<u>5,442</u>	<u>375,510</u>	<u>\$3,657,922</u>
Net depreciable assets	<u>\$1,697,117</u>	<u>37,437</u>	<u>55</u>	<u>82,049</u>	<u>\$1,816,548</u>
Governmental activities capital assets net	<u>\$1,748,073</u>	<u>37,437</u>	<u>55</u>	<u>82,049</u>	<u>\$1,867,504</u>

Depreciation was charged to the following functions:

	Amount
Instruction	\$73,769
Support services	30,737
Non-instructional	18,442
Total depreciation expense	<u>\$122,948</u>

The adjustments listed above are to include assets either never added to the capital asset list or marked for deletion but not disposed. Appropriated depreciation has been computed for each asset. In addition, incorrect depreciation methods were used in sum instances. These have been corrected. See Note 9.

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

(6) Long-term liabilities.

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

	Balance 7-1-04	Additions	Reductions	Balance 6-30-05	Due within one year
A. Compensated absences payable	<u>90,205</u>	<u>0</u>	<u>11,090</u>	<u>79,115</u>	<u>11,090</u>
Total	<u>99,205</u>	<u>0</u>	<u>11,090</u>	<u>\$ 79,115</u>	<u>11,090</u>

A. Compensated absences payable.

EAST TALLAHATCHIE SCHOOL DISTRICT

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

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, Mississippi 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 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 \$613,705, \$543,862 and \$531,236, respectively, which equaled the required contribution for each year.

(8) Sixteenth Section Funds.

Sixteenth section 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 school 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
2005	133,743
2006	132,104
2007	28,204
2008	703
2009	64
2010	<u>2,154</u>
Total	<u>\$ 296,972</u>

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities.

Explanation. Capital assets were incorrectly reported in the prior year. Several assets marked for disposition were not actually disposed of and depreciation expense was over stated on several other assets was overstated. The effect of these errors is as described below:

Net Assets - Ending, June 30, 2004	\$3,181,972
Increase in investment in capital assets due to above errors	<u>82,049</u>

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Net Assets - Ending, June 3, 2004, as restated

\$3,264,021

(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 years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance 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.

(10) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann.(1972). Because West Tallahatchie School District, which shares townships with East Tallahatchie School District did not file a list of children as required, no division of sixteenth section revenues has been accrued as a payable.

Of the townships East Tallahatchie School District shares with West Tallahatchie School District, East Tallahatchie School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) East Tallahatchie School District received on these sections may be due to West Tallahatchie School Districts. In addition, on the other townships West Tallahatchie School District controls the sixteenth section property, East Tallahatchie School District is be entitled to a portion of the sixteenth section revenues West Tallahatchie School District received. Because West Tallahatchie School District did not compile and file a list of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,492,981	1,388,295	1,386,358	(104,686)	(1,937)
State sources	7,386,002	7,001,851	7,001,217	(384,151)	(634)
Federal sources	46,000	44,161	44,160	(1,839)	(1)
Total Revenues	8,924,983	8,434,307	8,431,735	(490,676)	(2,572)
Expenditures:					
Instruction	4,992,797	4,945,337	4,945,338	47,460	(1)
Support services	2,864,679	2,551,013	2,724,270	313,666	(173,257)
Noninstructional services	200	51	51	149	0
Facilities acquisition and construction	0	171,255	0	(171,255)	171,255
Total Expenditures	7,857,676	7,667,656	7,669,659	190,020	(2,003)
Excess (Deficiency) of Revenues Over Expenditures	1,067,307	766,651	762,076	(300,656)	(4,575)
Other Financing Sources (Uses):					
Sale of other property	1,000	974	974	(26)	0
Operating transfers in	38,250	234,389	234,389	196,139	0
Operating transfers out	(586,259)	(409,238)	(409,238)	177,021	0
Total Other Financing Sources (Uses)	(547,009)	(173,875)	(173,875)	373,134	0
Net Change in Fund Balances	520,298	592,776	588,201	72,478	(4,575)
Fund Balances:					
July 1, 2004	1,772,933	1,180,157	1,152,246	110,325	(27,911)
June 30, 2005	2,293,231	1,772,933	1,740,447	182,803	(32,486)

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

EAST TALLAHATCHIE SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Child Nutrition
 For the Year Ended June 30, 2005

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 73,200	70,968	72,452	(2,232)	1,484
State sources	6,000	4,487	4,487	(1,513)	0
Federal sources	876,000	751,027	748,118	(124,973)	(2,909)
Total Revenues	955,200	826,482	825,057	(128,718)	(1,425)
Expenditures:					
Support services	79,662	68,364	68,364	11,298	0
Noninstructional services	849,535	737,740	736,356	111,795	1,384
Total Expenditures	929,197	806,104	804,720	123,093	1,384
Excess (Deficiency) of Revenues Over Expenditures	26,003	20,378	20,337	(5,625)	(41)
Other Financing Sources (Uses):					
Operating transfers out		(30,382)	(30,382)	(30,382)	0
Total Other Financing Sources (Uses)	0	(30,382)	(30,382)	(30,382)	0
Net Change in Fund Balances	26,003	(10,004)	(10,045)	(36,007)	(41)
Fund Balances:					
July 1, 2004	101,806	110,283	110,325	8,477	42
Increase in reserve for inventory		1,527	1,526	1,527	(1)
June 30, 2005	127,809	101,806	101,806	(26,003)	0

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Notes to the Required Supplementary Information

(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.

(3) Individual Fund Disclosures.

The General Fund has an excess of expenditures over budget in the amount of \$2,003. The fund with the excess of expenditures over budget is not in violation of state law since the excess resulted from auditor's adjustments.

EAST TALLAHATCHIE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

EAST TALLAHATCHIE SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Schedule 3

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Number</u>	Federal <u>Expenditures</u>
Direct Program		
Assistance to High Energy Cost - Rural Communities	10.859	1,649
<u>U.S. Department of Agriculture</u>		
Passed through the Mississippi Department of Education:		
Non-cash assistance: Food Donation	10.550	47,104
Child Nutrition Cluster:		
School Breakfast Program	10.553	209,284
National School Lunch Program	10.555	<u>491,730</u>
Total Nutrition Cluster		<u>701,014</u>
Fresh Fruit & Vegetable Program	10.582	<u>24,728</u>
Total Passed through Mississippi Department of Education		<u>772,846</u>
Total U.S. Department of Agriculture		<u>774,495</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	<u>146,044</u>
Total Federal Communications Commission		<u>146,044</u>
<u>U.S. Department of Education</u>		
Passed through Mississippi Department of Education		
Special Education Cluster		
Special education - grants to states	84.027	355,773
Special education - preschool grants	84.173	<u>10,705</u>
Total Special Education Cluster		366,478
Title I grants to local educational agencies	84.010	861,208
Vocational education - basic grants to states	84.048	29,811
'Safe and drug-free schools and communities- state grants	84.186	8,157
State grants for innovative programs	84.298	11,866
Education technology state grants	84.318	190,167
Rural education	84.358	70,100
Improving teacher quality - state grants	84.367	<u>176,263</u>
Total Passed through Mississippi Department of Education		<u>1,714,050</u>
Total U.S. Department of Education		<u>1,714,050</u>
Total for All Federal Awards		<u>2,634,589</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.

EAST TALLAHATCHIE SCHOOL DISTRICT

Schedule 4

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

<u>Functions/Programs</u>	<u>Total</u>	<u>Instructional</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,309,578	\$ 5,934,714	\$ 959,484	\$ 1,415,380
Other expenditures	<u>2,814,031</u>	<u>713,512</u>	<u>159,876</u>	<u>1,940,643</u>
Total	\$ <u>11,123,609</u>	\$ <u>6,648,226</u>	\$ <u>1,119,360</u>	\$ <u>3,356,023</u>
Total number of students:	1,612			
Cost per student:	\$ <u>6,901</u>	\$ <u>4,124</u>	\$ <u>694</u>	\$ <u>2,082</u>

EAST TALLAHATCHIE SCHOOL DISTRICT

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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CLARKSDALE MISSISSIPPI 38614

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

Superintendent and School Board
East Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2005, which collectively comprise the East Tallahatchie School District's basic financial statements and have issued my report thereon dated May 16, 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.

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 or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our 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 assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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.

A handwritten signature in black ink, appearing to read "Robert D. CPA". The signature is stylized and cursive.

May 16, 2006

EAST TALLAHATCHIE SCHOOL DISTRICT

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
East Tallahatchie School District

Compliance

I have audited the compliance of the East Tallahatchie School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the 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 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 of the school district's compliance with those requirements.

In my opinion, the East Tallahatchie 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 East Tallahatchie 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, 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 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.

A handwritten signature in cursive script, reading "Robert Burt CPA". The signature is written in dark ink and is positioned to the left of the date.

May 16, 2006

EAST TALLAHATCHIE SCHOOL DISTRICT

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

EAST TALLAHATCHIE SCHOOL DISTRICT

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

Superintendent and School Board
East Tallahatchie School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the East Tallahatchie School District as of and for the year ended June 30, 2005, which collectively comprise East Tallahatchie School District's basic financial statements and have issued my report thereon dated May 16, 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 all state laws and regulations was not an objective of our audit and, accordingly, we 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 \$ 26,792 of classroom supply funds carried over from previous years.

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

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



May 16, 2006

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST TALLAHATCHIE SCHOOL DISTRICT

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EAST TALLAHATCHIE 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 general purpose financial statements: | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | |
|---|-------------|
| 4. Type of auditor's opinion issues on compliance for major programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133? | No |
| 7. The major programs were: | |
| Child Nutrition Cluster | |
| School Breakfast Program - CFDA 10.553 | |
| National School Lunch Program - CFDA 10.555 | |
| Title I Grants to Local Educational Agencies - CFDA 84.010 | |
| Special Education Cluster | |
| Special Education - Grants to States - CFDA 84.027 | |
| Special Education - Preschool Grants - CFDA 84.173 | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000. |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133. | Yes |

Section 2: Findings Related to the Financial Statements

The results of my 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 Cost for Federal Awards

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

EAST TALLAHATCHIE SCHOOL DISTRICT

AUDITEE'S SUMMARY OF PRIOR AUDIT FINDINGS

EAST TALLAHATCHIE SCHOOL DISTRICT

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East Tallahatchie School District

William H. Tribble, Superintendent

411 Chestnut Street

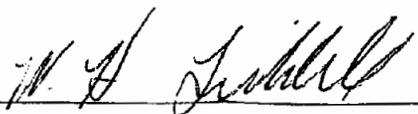
Charleston, Mississippi 38921

As required by Section ____315(b) of OMB Circular A-133, the East Tallahatchie School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2004:

<u>Finding</u>	<u>Status</u>
----------------	---------------

2004-1	Corrective action was taken.
--------	------------------------------

Sincerely,



William Tribble
Superintendent

