

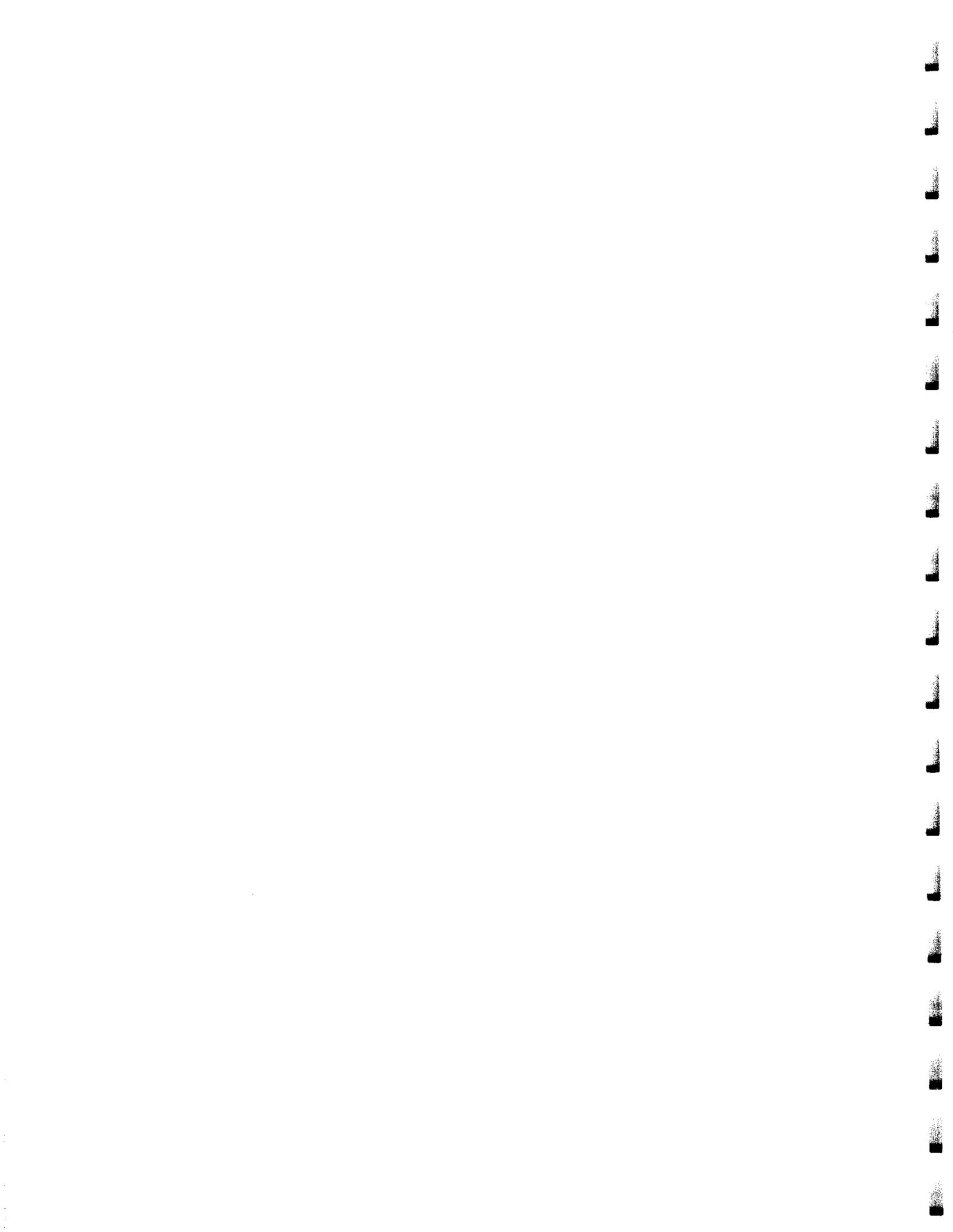


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FRANKLIN COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2005

Presented by:
Dribben & Associates, Ltd.
Albert F. Dribben CPA
P. O. Box 1411
113 North Broadway Avenue
McComb, MS 39649-1411



FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

FRANKLIN COUNTY SCHOOL DISTRICT

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

October 4, 2005

Superintendent and School Board
Franklin County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Franklin County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2005, on our consideration of the Franklin County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of the 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 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 9 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

FRANKLIN COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKLIN COUNTY SCHOOL DISTRICT

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Franklin County School District

P. O. Box 506
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Superintendent

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Management's Discussion and Analysis For the Year Ended June 30, 2005

The discussion and analysis of Franklin County School District's financial performance provides an overall narrative 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 Statement – 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 and is presented in this discussion and analysis.

FINANCIAL STATEMENTS

Total net assets increased \$568,368, which represents a 8% increase from fiscal year 2004.

General revenues account for \$10,011,657 in revenue or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,827,839, or 22 % of total revenues.

The District had \$12,712,830 in expenses; only \$2,827,839 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,011,657 were adequate to provide for these programs.

Among major funds, the General Fund has \$9,242,734 in revenues and \$10,155,898 in expenditures. The General Fund's fund balance decreased by \$683,883 from the prior year due to advances from 16th section principal funds for the purchase of school buses and improvements to buildings.

Capital assets, net of accumulated depreciation, increased \$458,734. This increase is due mainly to the addition of capital assets related to the purchase of three new school buses, a maintenance pickup, a new mower, the football field house expansion, track renovations, and architect fees for the gym re-roof project.

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 themselves.

Governmental-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 actual 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 statements 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 the 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 19 and 20 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 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 22 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 21 - 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are 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 25.

Notes to 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 statement can be found on page 27 - 38 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 information could be found on pages 41 and 42 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 44 of the report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indication of government's financial position. In the case of this District, assets exceeded liabilities by \$7,309,760 as of June 30, 2005.

By far the largest portion of the District's net assets (68%) reflects its investment in capital assets (e. g., land, buildings, buildings improvements, improvements other than buildings, mobile equipment and furniture and equipment). 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 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 comparative data for the fiscal year ended June 30, 2004:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 3,052,669	3,384,360
Capital assets, net	4,952,502	4,493,768
Total assets	<u>8,005,171</u>	<u>7,878,128</u>
Current liabilities	576,091	587,131
Long-term debt outstanding	119,320	115,304
Total liabilities	<u>695,411</u>	<u>702,435</u>
Net assets:		
Invested in capital assets, net of related debt	4,952,502	4,493,768
Restricted	1,902,157	2,044,399
Unrestricted	<u>455,101</u>	<u>637,526</u>
Total net assets	<u>\$ 7,309,760</u>	<u>7,175,693</u>

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$12,839,496. The total cost of all programs and services were \$12,712,830. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004:

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues	\$ 2,827,839	2,948,165
General revenues	10,011,657	9,967,078
Total revenues	<u>12,839,496</u>	<u>12,915,243</u>
Expenses:		
Instruction	7,240,711	7,076,026
Support services	4,644,254	4,555,275
Non-instructional	712,729	748,856
Sixteenth section	56,650	53,059
Interest on long-term liabilities	58,486	44,152
Total expenses	<u>12,712,830</u>	<u>12,477,368</u>
Increase (Decrease) in net assets	<u>\$ 126,666</u>	<u>437,875</u>

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

	June 30, 2005		June 30, 2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$ 7,240,711	(5,771,923)	7,076,026	(5,321,942)
Support services	4,644,254	(4,063,458)	4,555,275	(4,026,884)
Non-instructional	712,729	4,767	748,856	(83,166)
Sixteenth section	56,650	4,109	53,059	(53,059)
Increase in long-term liabilities	58,486	(58,486)	44,152	(44,152)
Total expenses	\$ 12,712,830	(9,884,991)	12,477,368	(9,529,203)

Net cost of governmental activities, \$9,884,991; was financed by general revenue, which is made up of primarily property taxes \$1,670,808; federal revenues \$1,958,724; sixteenth section sources \$909,939; and state revenues \$6,522,627.

Investment earnings accounted for \$29,000 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 used 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 \$2,483,814, an increase of \$316,981 due primarily to the purchase of capital assets and an increase in oil royalty revenues. \$841,208 or 33% 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 \$1,642,606 or 67% is reserved or designated to indicate that it is not available for spending because it is already committed

The General fund is a principal operating fund of the District. The decrease in fund balance in the General fund for the fiscal year was \$683,883 a result of spending \$550,022 for facilities acquisition and construction and an increase in instruction expenditures, and an increase in support services expenditures. The fund balance of other governmental funds remained virtually the same as the prior year..

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. The original budget amounts for revenue from state sources were based on full funding for Mississippi Adequate Education. The original budgeted amounts did not take into full consideration the potential cuts by the Mississippi legislatures. This was done upon suggestion of the Mississippi Department of Education. No other significant revisions to the budget were made during the fiscal year.

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 \$9,960,223, including school buildings, buses, other vehicles, and furniture and equipment. This amount represents an increase of \$732,541 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$5,007,721 and total depreciation expense for the year was \$318,913 resulting in total net assets of \$4,952,502.

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

Debt administration. The District has never had any bonds issued. The long-term liabilities consist of a liability for compensated absences based on possible leave owed to current employees. There is no way to compute a current portion of this liability, as there are too many unknown factors involved. In prior years the district treated 16th section advances as loans because the funds were used to finance expenditures (buildings and buses) and the repayment schedules were set up over either a 10-year or 20-year period.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. We owe no outside sources. The millage rate has decreased 3.50 mills over last years. This is due to increases in assessed values in the county. We have maintained smaller class sizes in the elementary schools. 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 will remain steady.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Franklin County School District, P. O. Box 605, Meadville, MS 39653.

FRANKLIN COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

FRANKLIN COUNTY SCHOOL DISTRICT

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Franklin County School District
Statement of Net Assets
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,160,910
Due from other governments	174,980
Lease receivable, net	15,137
Other receivables, net	57,771
Inventories and prepaid items	38,672
Restricted assets	1,605,199
Capital assets, net	4,952,502
 Total assets	 <u>\$ 8,005,171</u>
LIABILITIES	
Accounts payable and accrued liabilities	513,924
Deferred revenue	54,931
Long-term liabilities (due within one year)	
Non-capital liabilities	7,236
Long-term liabilities (due beyond one year)	
Non-capital liabilities	119,320
 Total liabilities	 <u>695,411</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,952,502
Restricted net assets	
Expendable:	
School based activities	200,638
Forestry improvements	60,986
Unemployment benefits	35,334
Non-expendable:	
Sixteenth section	1,605,199
Unrestricted	455,101
 Total net assets	 <u>\$ 7,309,760</u>

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

Exhibit B

Franklin County School District
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 7,240,711	280,561	1,163,558	24,669
Support services	4,644,254	-	526,530	54,266
Noninstructional	712,729	133,713	583,783	-
Sixteenth section	56,650	60,759	-	-
Interest on long-term liabilities	58,486	-	-	-
Total governmental activities	12,712,830	475,033	2,273,871	78,935
				(5,771,923)
				(4,063,458)
				4,767
				4,109
				(58,486)
				(9,884,991)

General Revenues:

Taxes:	1,670,808
General purposes levies	5,403,650
Unrestricted grants and contributions:	1,958,724
State	29,000
Federal	909,939
Unrestricted investment earnings	39,536
Sixteenth section sources	10,011,657
Other	126,666
Total general revenues	7,175,693
Change in Net Assets	7,401
Net Assets - Beginning	7,183,094
Prior Period Adjustment	
Net Assets - Restated	\$ 7,309,760

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

Franklin County School District
 Balance Sheet - Governmental Funds
 June 30, 2005

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
ASSETS				
Cash and cash equivalents	\$ 737,177	1,605,199	423,733	2,766,109
Due from other governments	155,258	-	19,722	174,980
Lease receivables, net	-	-	15,137	15,137
Other receivables, net	57,771	-	-	57,771
Due from other funds	-	-	29,848	29,848
Advances to other funds	-	1,603,934	-	1,603,934
Inventories and prepaid items	20,666	-	18,006	38,672
Total assets	970,872	3,209,133	506,446	4,686,451
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	405,803	-	108,121	513,924
Due to other funds	-	-	29,848	29,848
Advances from other funds	1,603,934	-	-	1,603,934
Deferred revenue	-	-	54,931	54,931
Total liabilities	2,009,737		192,900	2,202,637
Fund balances:				
Reserved for:				
Advances	-	1,603,934	-	1,603,934
Inventory	-	-	18,006	18,006
Prepaid items	20,666	-	-	20,666
Unreserved:				
Undesignated, reported in:				
General fund	(1,059,531)	-	-	(1,059,531)
Special revenue funds	-	-	295,540	295,540
Permanent funds	-	1,605,199	-	1,605,199
Total fund balances	(1,038,865)	3,209,133	313,546	2,483,814
Total liabilities & fund balances	\$ 970,872	3,209,133	506,446	4,686,451

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

Franklin County 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	\$ 2,483,814
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets	9,960,223
Less Accumulated Depreciation	<u>(5,007,721)</u>
	4,952,502
2. Long-term liabilities not due and payable in the current period and therefore are not reported in the funds.	
	(126,556)
Total Net Assets - Governmental Activities	<u><u>\$ 7,309,760</u></u>

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

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

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 1,983,628	-	169,987	2,153,615
State sources	6,388,738	-	538,154	6,926,892
Federal sources	870,368	-	1,917,923	2,788,291
Sixteenth section sources	-	464,616	506,082	970,698
Total revenues	9,242,734	464,616	3,132,146	12,839,496
Expenditures:				
Instruction	5,825,963	-	1,515,147	7,341,110
Support services	3,719,267	-	760,188	4,479,455
Noninstructional services	2,160	-	672,151	674,311
Sixteenth section	-	-	56,650	56,650
Facilities acquisition and construction	550,022	-	-	550,022
Debt Service:				
Interest	58,486	-	-	58,486
Total expenditures	10,155,898	-	3,004,136	13,160,034
Excess (deficiency) of revenues over expenditures	(913,164)	464,616	128,010	(320,538)
Other Financing Sources (Uses):				
Refund of prior year expenditures	-	-	5,044	5,044
Transfers in	922,601	-	321,819	1,244,420
Transfers out	(693,320)	(96,600)	(454,500)	(1,244,420)
Total Other Financing Sources (Uses):	229,281	(96,600)	(127,637)	5,044
Net Change in Fund Balances	(683,883)	368,016	373	(315,494)
Fund balances:				
July 1, 2004	(354,982)	2,841,117	314,660	2,800,795
Increase (Decrease) in reserve for inventory	-	-	(1,487)	(1,487)
June 30, 2005	\$ (1,038,865)	3,209,133	313,546	2,483,814

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

Franklin County School District
 Reconciliation of the 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	\$ (315,494)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets, as follows.	770,717
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(318,913)
3. In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas, in governmental funds, proceeds for the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Losses on sales of capital assets	(471)
4. Increase (decrease) in reserve for inventory is reported as a direct increase (decrease) to fund balance in governmental funds but is reported as a (decrease) increase to non-instructional expenses in the Statement of Net Assets.	(1,487)
5. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences decreases	(7,686)
Change in net assets of governmental activities	<u>\$ 126,666</u>

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

Franklin County School District
Statement of Fiduciary Net Assets
June 30, 2005

Exhibit E

	<u>Private-purpose Trust</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 70,017	41,958
Total Assets	<u>70,017</u>	<u>41,958</u>
Liabilities		
Due to student clubs	-	41,958
Total Liabilities	<u>-</u>	<u>41,958</u>
Net Assets		
Reserved for endowments	-	
Total Net Assets	<u>\$ 70,017</u>	

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

Franklin County School District
 Statement of Changes in Fiduciary Net Assets
 June 30, 2005

Exhibit F

	Private-purpose Funds
<u>Additions</u>	
Contributions and donation from private sources	\$ 98
 Total Assets	 <u>98</u>
 <u>Deletions</u>	
 Total Liabilities	 <u>-</u>
 <u>Net Assets</u>	
July 1, 2004	69,919
June 30, 2005	<u>\$ 70,017</u>

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

FRANKLIN COUNTY 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 statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

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 Principal Fund- This is a Permanent Fund used to account for 16th Section nonrenewable resource income. The resource is restricted in that it can only be borrowed to purchase buses or to construct buildings.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital 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 one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

FRANKLIN COUNTY SCHOOL DISTRICT

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, 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 advances - An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

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

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

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

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

The carrying amount of the school district's deposits with financial reported in the governmental funds and fiduciary funds was \$2,766,109 and \$111,975 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$1,160,910 and Restricted Assets \$1,605,199. The Restricted assets represent the cash balance of the 16th 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 \$3,244,520.

FRANKLIN COUNTY SCHOOL DISTRICT

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

(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>
Other major funds:		
School food service fund		29,848
Other governmental funds:	<u>29,848</u>	
Total Funds	<u>\$ 29,848</u>	<u>29,848</u>

B. Advances To/From Other Funds:

	<u>Advances To</u>	<u>Advances From</u>
Major funds:		
General fund	\$ 1,603,934	
Other major funds:		
Sixteenth section principal fund		<u>1,603,934</u>
Total funds	<u>\$ 1,603,934</u>	<u>1,603,934</u>

FRANKLIN COUNTY SCHOOL DISTRICT

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

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 153,478	64,157	217,615
2007	153,472	58,019	211,491
2008	153,488	51,881	205,369
2009	126,003	45,744	171,747
2010	117,556	40,700	158,256
2011-2015	470,720	137,753	608,473
2016-2020	288,800	58,497	347,297
2021-2025	140,436	13,722	154,158
Total	<u>\$ 1,603,933</u>	<u>470,473</u>	<u>2,074,406</u>

C. Transfers In/Out.

	Transfers In	Transfers Out
Major funds:		
General fund	\$ 922,601	693,320
Other major funds:		
16th Section Principal		96,600
Other governmental funds	<u>321,819</u>	<u>454,500</u>
Total funds	<u>\$ 1,244,420</u>	<u>1,244,420</u>

FRANKLIN COUNTY SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 07/01/04	Additions	Retirements	Completed Construction	Adjustment	Balance 06/30/05
<u>Non-depreciable capital assets:</u>						
Land	\$ 10,100					10,100
Construction in progress	14,698	535,254		(539,144)		10,808
Total non-depreciable capital assets	24,798	535,254	-	(539,144)	-	20,908
<u>Depreciable capital assets:</u>						
Buildings	6,303,411			295,575	3,360	6,602,346
Building improvements	128,150					128,150
Improvements other than buildings	326,313			243,569		569,882
Mobile equipment	1,811,285	170,302			5,786	1,987,373
Furniture and equipment	633,725	65,161	(47,035)		(287)	651,564
Total depreciable capital assets	9,202,884	235,463	(47,035)	539,144	8,859	9,939,315
<u>Less accumulated depreciation for:</u>						
Buildings	(2,947,219)	(120,004)				(3,067,223)
Building improvements	(5,126)	(5,126)				(10,252)
Improvements other than buildings	(201,850)	(13,145)				(214,995)
Mobile equipment	(1,072,616)	(122,807)			(4,731)	(1,200,154)
Furniture and equipment	(507,103)	(57,831)	46,564		3,273	(515,097)
Total accumulated depreciation	(4,733,914)	(318,913)	46,564	-	(1,458)	(5,007,721)
Total depreciable capital assets, net	4,468,970	(83,450)	(471)	539,144	7,401	4,931,594
Governmental activities capital assets, net	\$ 4,493,768	451,804	(471)	-	7,401	4,952,502

Adjustments were made to add architect fees to the cost of the building. Adjustments were also made for misclassification of assets.

FRANKLIN COUNTY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 120,651
Support services	161,715
Non-instruction	<u>36,547</u>
Total depreciation expense	<u>\$ 318,913</u>

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Gymnasium re-roofing project	\$ 190,000	
Total	<u>\$ 190,000</u>	<u>--</u>

(5) Long-term liabilities.

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

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Balance 06/30/05</u>	<u>Amounts due within one year</u>
Compensated absences payable	118,871	7,686	126,557	7,236
Total	<u>\$ 118,871</u>	<u>7,686</u>	<u>126,557</u>	<u>7,236</u>

Compensated absences payable.

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

(6) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may

FRANKLIN COUNTY SCHOOL DISTRICT

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

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 \$744,841, \$723,401, and \$693,498, 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.

<u>Year Ending</u> <u>June 30, 2005</u>	<u>Amount</u>
2006	\$ 95,445
2007	79,063
2008	63,147
2009	51,477
2010	1,461
2011-2015	2,503
2016-2020	1,303
2021-2025	1,303
2026-2030	<u>1,303</u>
Total	<u>\$ 297,005</u>

FRANKLIN COUNTY SCHOOL DISTRICT

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

(8) Prior Period Adjustments/exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct errors in the classification of capital assets in a prior year.	\$ 8,859
2. To correct errors in recording depreciation expense in a prior year.	(1,458)
Total	<u>\$ 7,401</u>

(9) Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the county's legal counsel believes that there is no litigation or threatened proceedings at present that will have a material adverse effect on the financial condition of the county.

(10) Subsequent Events.

On August 2, 2005, the school district approved the highest bid of Columbia Timber Co. for a timber sale of \$260,070.

The school district also has experienced damage to a gymnasium floor due to problems with a new roof. The estimated cost of replacing the gym floor is in excess of \$100,000. The school district has lost revenue due to the inability to hold basketball home games. The contractor has been notified to pay for these losses. However, at this time, the issue has not been settled to the school district's satisfaction.

(11) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an

FRANKLIN COUNTY SCHOOL DISTRICT

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

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 Trustmark National 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.

FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT
 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	\$ 2,019,824	1,983,628	1,983,628	(36,196)	-
State sources	6,342,398	6,388,738	6,388,738	46,340	-
Federal sources	782,420	870,368	870,368	87,948	-
Sixteenth section sources					-
Total revenues	<u>9,144,642</u>	<u>9,242,734</u>	<u>9,242,734</u>	<u>98,092</u>	<u>-</u>
EXPENDITURES					
Instruction	5,864,774	5,825,963	5,825,963	38,811	-
Support services	3,734,431	3,719,267	3,719,267	15,164	-
Noninstructional services	3,000	2,160	2,160	840	-
Facilities acquisition and construction	255,000	550,022	550,022	(295,022)	-
Debt Service:					
Principal	115,876			115,876	-
Interest		58,486	58,486	(58,486)	-
Total expenditures	<u>9,973,081</u>	<u>10,155,898</u>	<u>10,155,898</u>	<u>(182,817)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(828,439)</u>	<u>(913,164)</u>	<u>(913,164)</u>	<u>(84,725)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Sale of transportation equipment	2,000			(2,000)	-
Proceeds of loans	300,000			(300,000)	-
Insurance loss recoveries					-
Operating transfers in	1,154,145	922,601	922,601	(231,544)	-
Operating transfers out	(583,806)	(693,320)	(693,320)	(109,514)	-
Total other financing sources and uses	<u>872,339</u>	<u>229,281</u>	<u>229,281</u>	<u>(643,058)</u>	<u>-</u>
Net change in fund balances	<u>43,900</u>	<u>(683,883)</u>	<u>(683,883)</u>		
Fund balances:					
July 1, 2004	<u>619,203</u>	<u>(354,983)</u>	<u>(354,982)</u>		
June 30, 2005	<u>\$ 663,103</u>	<u>(1,038,866)</u>	<u>(1,038,865)</u>		

FRNKLIN COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, 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 consistent with accounting principles generally accepted in the United States of America.

FRANKLIN COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	46,849
Child nutrition cluster:		
School breakfast program	10.553	181,623
National school lunch program	10.555	367,620
Summer food program for children	10.559	11,842
Total Child Nutrition Cluster		<u>561,085</u>
Total U. S. Department of Agriculture		<u>607,934</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	534,912
Vocational education - basic grants to states	84.048	34,040
Safe and drug-free schools and communities - state grants	84.186	15,307
Even start-state educational agencies	84.213	81,304
Innovative education program strategies	84.298	13,840
Education technology state grants	84.318	13,843
Achieve Mississippi grants	84.342A	5,645
Rural education achievement program	84.358	55,676
Improving teacher quality-state grants	84.367	158,582
Total		<u>913,149</u>
Special education cluster:		
Special education - grants to states	84.027	347,451
Special education - preschool grants	84.173	42,047
Total		<u>389,498</u>
Total Passed-through Mississippi Department of Education		<u>1,302,647</u>
Total U. S. Department of Education		<u>1,302,647</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	48,143
Total Other Federal Assistance		<u>48,143</u>
Total for All Federal Awards		<u>\$ 1,958,724</u>

NOTES TO SCHEDULE

This schedule was prepared using the same basis of accounting and the same basis of accounting policies, as applicable used for the general purpose financial statements.

The expenditure amounts include transfers out.

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,053,390	6,477,133	1,095,160	2,481,097
Other	3,106,644	863,977	132,925	2,109,742
Total	13,160,034	7,341,110	1,228,085	4,590,839
Total number of students	1,426			
Cost per student	\$ 9,229	5,148	861	3,219

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction - includes that 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

FRANKLIN COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

FRANKLIN COUNTY SCHOOL DISTRICT

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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*

October 4, 2005

Superintendent and School Board
Franklin County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as Finding 05-1 and 05-2.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not considered to be a material weakness.

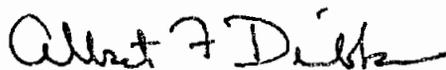
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the school district in a separate letter dated October 4, 2005, which is included in this report.

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.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

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

October 4, 2005

Superintendent and School Board
Franklin County School District

Compliance

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

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

In our opinion, Franklin County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

FRANKLIN COUNTY SCHOOL DISTRICT

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

FRANKLIN COUNTY SCHOOL DISTRICT

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

October 4, 2005

Superintendent and School Board
Franklin County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Franklin County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972) disclosed no instances of noncompliance. The district reported \$6,606 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 disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding

Per Section 37-151-85(4) Miss. Code Ann. (1972), a school district is allowed to pay for renewal or actual costs of initially acquiring a commercial license for regularly employed bus drivers. However, the above code section and Attorney General's Opinion to Manning dated June 10, 2005, does not allow reimbursement of commercial license costs for a coach, club sponsor or substitute driver who is needed by the district to drive a school bus occasionally. The school district was found to reimburse coaches for the renewal of the cost of initially securing or renewing a commercial license to drive district school buses.

Recommendation

The school district should refrain from the reimbursement of commercial driver's license initial or renewal fees for coaches or others who are not regularly employed school bus drivers of the district.

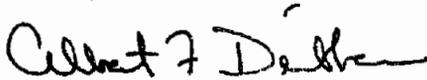
Response

We feel that the district's reimbursing coaches for their CDL saves the district an enormous amount of money. Rather than paying our regular drivers time and possibly overtime for driving the buses to away games, one of the coaches drives the bus. We do not pay them for this because they are already paid with their coaching supplement. A \$50 CDL reimbursement once every four years is a very small amount in comparison to paying a driver for five to six hours per game. We are trying to be fiscally responsible with our district resources.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

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.

Sincerely,



Albert F. Dribben, CPA

Dribben & Associates, Ltd.

McComb, Mississippi

FRANKLIN COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT

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

Section I: 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 weakness identified: | No |
| | b. Reportable conditions identified that are not considered to be material weakness? | Yes |

Federal Awards:

- | | | |
|-----|---|----------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that are not considered to be material weaknesses? | No |
| 6. | Any audit finding reported as required by Section __510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Special Education Cluster: | |
| | Special Education – grants to states | CFDA #: 84.027 |
| | Special Education – preschool grants | CFDA #: 84.173 |
| | 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: | \$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? | Yes |

FRANKLIN COUNTY SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be a Material Weakness

05-1 Finding

In our test of receipts of general and agency activity and club funds, we noted the following internal control weaknesses:

- a) As reported in prior year's audit report, six instances of failure to denote the type of payment (cash or check).
- b) One instance of failure to sign the receipts or initial to denote person receiving funds.
- c) As reported in prior year's report, four instances of failure to deposit funds timely into the financial institution.
- d) One instance of receipt not in chronological order.

Recommendation

We recommend that the school district abide by the provisions of the *Financial Accounting Manual for Mississippi Public School Districts* in that persons receiving general and agency activity and club funds:

- a) Write in the type of payment received, either cash or check.
- b) Sign or initial the receipt.
- c) Abide by school district policy in depositing of funds to decrease hazards of leaving funds in the school building overnight and to increase interest earned on the funds which is lost by a delay in depositing.
- d) Write receipts contemporaneously with the actual turning over of funds and the original of the receipt should be given to the person turning in the funds.

05-2 Finding

In our tests of expenditures of general and agency and club funds, we noted the following internal control weakness:

One instance of an expense being paid without an invoice.

FRANKLIN COUNTY SCHOOL DISTRICT

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

Recommendation

We recommend that the school district abide by the provisions of the *Financial Accounting Manual for Mississippi Public School Districts* in that persons paying general and agency activity and club funds expenses:

Make all payments from an invoice.

Section 3: Federal Award Findings and Questioned Costs

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

FRANKLIN COUNTY SCHOOL DISTRICT

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FRANKLIN COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

FRANKLIN COUNTY SCHOOL DISTRICT

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Franklin County School District

P.O. Box 605

Meadville, MS 39653

Lona B. Thomas
Superintendent

(601) 384-2340
FAX (601) 384-2393

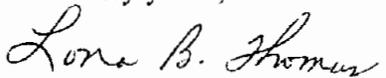
December 13, 2005

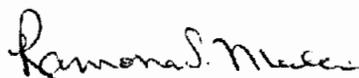
Dribben & Associates, Ltd.
P.O. Box 1411
McComb, Mississippi 39649-1411

As required by Section 315 of OMB Circular A-133 the Franklin County 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>
05-1	<ul style="list-style-type: none">a. Ramona T. Mullins, Business Administrator, (601)384-2340b. The Business Administrator will have a meeting with all secretaries and go over these findings. We believe most of these are due to carelessness. We will emphasize the need the make deposits in a timelier manner, indication of method of payment on the receipt, signing of all receipts and writing receipts as soon as money is turned in.c. We plan to have this meeting as soon as possible after the Christmas holidays.
05-2	<ul style="list-style-type: none">a. Ramona T. Mullins, Business Administrator, (601) 384-2340b. During the abovementioned meeting, the Business Administrator will emphasize to the secretaries that payments are not to be made without a properly signed invoice.c. We plan to have this meeting as soon as possible after the Christmas holidays.

Sincerely yours,


Lona B. Thomas
Superintendent of Education


Ramona T. Mullins
Business Administrator