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**ITAWAMBA COUNTY SCHOOL DISTRICT**

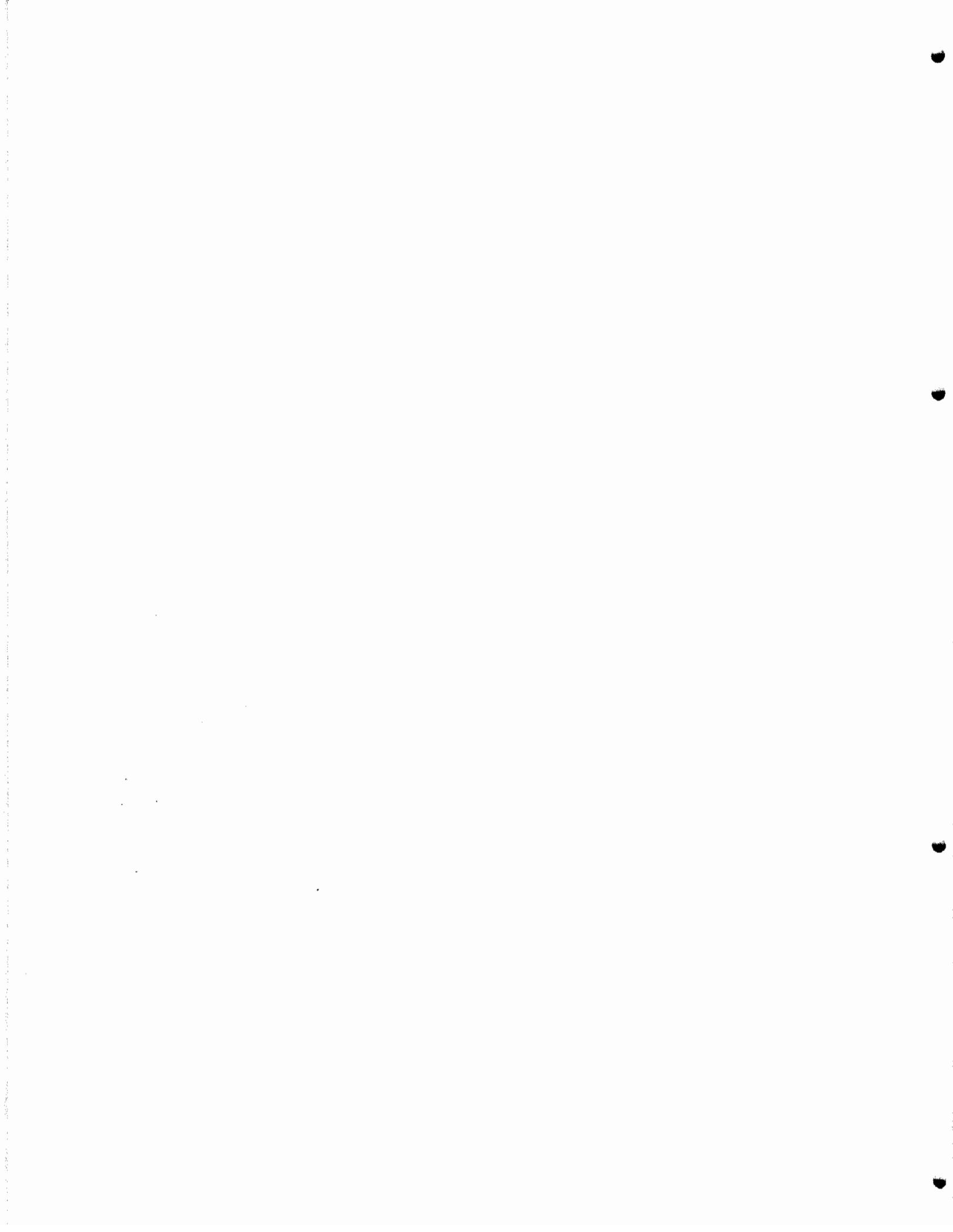
**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2005**



**ITAWAMBA COUNTY SCHOOL DISTRICT  
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JUNE 30, 2005**

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**INDEPENDENT AUDITORS' REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

Superintendent and School Board  
Itawamba County School District

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District at 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 a report dated November 11, 2005, on our consideration of the Itawamba County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe a 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 and the Budgetary Comparison Schedules and corresponding notes on pages 32 through 34 are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Itawamba County 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brauner, Van Stoy & Co. P.A.*

November 11, 2005  
Booneville, Mississippi

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

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

**FINANCIAL HIGHLIGHTS**

- Net Assets increased \$1,142,806 which is an increase of 7% from fiscal year 2004. This increase was due mainly to completion of construction projects.

<u>Revenues</u>	<u>2005</u>	<u>%</u>	<u>2004</u>	<u>%</u>
General	\$ 20,880,891	83	\$ 20,070,238	82
Program	4,172,221	17	4,272,584	18
Total	<u>\$ 25,053,112</u>	<u>100</u>	<u>\$ 24,342,822</u>	<u>100</u>

(Program revenues are those which are received in the form of charges for services, grants and contributions and are applied to specific programs).

<u>General Funds</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
2005	\$ 19,876,536	\$ 18,310,381	\$ 2,585,719
2004	18,934,609	17,126,338	1,930,305
Net Change	<u>\$ 941,927</u>	<u>\$ 1,184,043</u>	<u>\$ 655,414</u>

The fund increase from the prior year was a result of increases in local and state revenues.

<u>Capital Assets, net of accumulated depreciation</u>	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
	\$ 30,654,607	\$ 30,948,582	(293,975)

The increase in net value of capital assets resulted mainly from the completion of construction.

<u>Long-term Debt</u>	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
	\$ 17,038,202	\$ 18,235,926	\$ (1,197,724)

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

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional and interest on long-term liabilities.

The government-wide financial statements can be found on pages 11-12 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.

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

**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 14 and 16, 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 13 and 15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statement of Fiduciary Assets on page 17.

**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 18-31 of this report.

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

**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 page 33 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 34 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 \$16,865,998 as of June 30, 2005.

By far the largest portion of the District's net assets, 82% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), 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. Capital assets percentage of total assets is 86%.

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 2005 compared to 2004:

	2005	2004	% Change
Current assets	\$ 4,839,408	\$ 4,976,776	-3%
Capital assets, net	30,654,607	30,948,582	-1%
<b>Total assets</b>	<b>35,494,015</b>	<b>35,925,358</b>	<b>-1%</b>
Current liabilities	1,589,815	3,121,240	-49%
Long-term debt outstanding	17,038,202	17,080,926	0%
<b>Total liabilities</b>	<b>18,628,017</b>	<b>20,202,166</b>	<b>-8%</b>
Net assets:			
Capital assets, net	13,849,607	12,988,582	7%
Restricted	1,037,798	1,318,926	-21%
Unrestricted	1,978,593	1,415,684	40%
<b>Total net assets</b>	<b>\$ 16,865,998</b>	<b>\$ 15,723,192</b>	<b>7%</b>

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

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

The principal retirement of long term debt: \$1,197,724

Additions to capital assets and improvements: \$731,992

**Changes in net assets.** The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 compared to 2004.

	2005	2004	% Change
<b>Revenues:</b>			
Program revenues	\$ 4,172,221	\$ 4,272,584	-2%
General revenues	20,880,891	20,070,238	4%
<b>Total revenues</b>	<u>25,053,112</u>	<u>24,342,822</u>	<u>3%</u>
<b>Expenses:</b>			
Instruction	14,571,324	14,190,395	3%
Support services	7,000,446	6,516,566	7%
Non-instructional	1,646,721	1,535,060	7%
Interest on long-term debt	720,823	841,730	-14%
<b>Total expenses</b>	<u>23,939,314</u>	<u>23,083,751</u>	<u>4%</u>
<b>Changes in net assets:</b>	<u>\$ 1,113,798</u>	<u>\$ 1,259,071</u>	<u>-11%</u>

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

**Net (Expense) Revenue**

	2005	2004	% Change
Instruction	\$ (10,980,144)	\$ (10,485,850)	5%
Support services	(7,000,446)	(6,516,566)	7%
Non-instructional	(1,065,680)	(967,021)	10%
Interest on long-term debt	(720,823)	(841,730)	-14%
<b>Total expenses</b>	<u>\$ (19,767,093)</u>	<u>\$ (18,811,167)</u>	<u>5%</u>

Net cost of activities \$ (19,767,093) was financed by general revenue, which is composed of:

1) property taxes of	4,381,685
2) state revenue of	16,371,434
3) federal revenue of	72,351
4) investment earnings	30,240
5) other	25,181

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

**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, outflow 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. The following table reflects fund balances for the fiscal year ending June 30, 2005 compared to fiscal year 2004.

	2005	2004	% Change
Unreserved/undesignated	\$ 2,509,982	\$ 1,493,575	68%
Reserved or designated	941,292	1,736,477	-46%
<b>Total fund balance</b>	<b>3,451,274</b>	<b>3,230,052</b>	<b>7%</b>

Unreserved and undesignated funds are funds which are available for spending at the District's discretion. Reserved or designated funds are those which are committed for debt service, capital improvements and other restricted uses.

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

**BUDGETARY HIGHLIGHTS**

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

General Fund Instruction and Support Services expenditures were more than the original budget due to local and state revenue sources were less than anticipated.

Original Budget amounts for General Fund other financing sources did not include proceeds from insurance loss recoveries in the amount of \$5,553 and sale of property \$105,272.

Budget amounts for General Fund operating transfers in and out were increased to show additional transfer to the General Building & Improvement Fund in the amount of \$859,500.

No allowance had been made in the original budget for transfers in and transfers out.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The table below summarizes and compares capital assets and accumulated depreciation for the fiscal year June 30, 2005 and compares it to those corresponding values for 2004.

	2005	2004	% Change
Total Capital Assets	\$ 39,169,308	\$ 38,901,024	1%
Accumulated Depreciation	8,514,701	7,952,442	7%
<b>Total Capital Assets</b>	<u><u>30,654,607</u></u>	<u><u>30,948,582</u></u>	<u><u>-1%</u></u>

Additional information of the District's capital assets can be found in Note 5 on page 25 of this report.

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

**Debt Administration.** The table below summarizes and compares general obligation bonds and other long-term debt for the fiscal year June 30, 2005 and compares it to those corresponding values for 2004.

	2005	2004	% Change
General Obligation Bonds	\$ 7,040,000	\$ 7,390,000	-5%
Other	9,998,202	10,845,926	-8%
<b>Total long-term debt</b>	<u>17,038,202</u>	<u>18,235,926</u>	<u>-7%</u>

Additional information of the District's long-term debt can be found in Note 6 on pages 26-29 of this report.

**CURRENT ISSUES**

The Itawamba County 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 increased slightly over the last few years despite funding cuts and additional mandated expenditures by the State of Mississippi. 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 increase slightly. The budget for the next fiscal year has taken into account a reduction in both funding and staffing needs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, you may contact:

Office of the Superintendent  
Itawamba County School District  
605 S Cummings  
Fulton, MS 38843

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

Exhibit A

	Primary Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents (Note 3)	\$ 3,752,117
Due from other governments	790,749
Other receivables, net	4,307
Due from other funds	73,575
Inventories and prepaid items	52,819
Restricted assets	165,841
Capital Assets, net (Note 5)	30,654,607
<b>Total Assets</b>	<b>35,494,015</b>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,324,764
Deferred Revenue	63,370
Interest Payable on Long Term Debt	201,681
Long Term Liabilities (due within one year) (Note 6)	
Capital Related Liabilities	1,220,000
Long Term Liabilities (Due Beyond one year) (Note 6)	
Capital Related Liabilities	15,585,000
Non-capital Liabilities	233,202
<b>Total Liabilities</b>	<b>18,628,017</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	13,849,607
Restricted net assets:	
Expendable	
Reserved for school based activities	299,509
Reserved for unemployment	84,062
Reserved for debt service	321,401
Reserved for capital projects	5,199
Reserved for ad valorem	327,627
Unrestricted	1,978,593
<b>Total Net Assets</b>	<b>16,865,998</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 35,494,015</b>

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

ITAWAMBA COUNTY SCHOOL DISTRICT  
 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 Changes in Net Assets
			Capital Grants and Contributions	Primary Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 14,571,324	844,102	2,747,078	(10,980,144)
Support services	7,000,446	-	-	(7,000,446)
Noninstructional services	1,646,721	581,041	-	(1,065,680)
Interest on long-term debt	720,823	-	-	(720,823)
<b>Total Governmental Activities</b>	<b>23,939,314</b>	<b>1,425,143</b>	<b>2,747,078</b>	<b>(19,767,093)</b>

General Revenues:

Taxes:	
General purpose levies	3,642,625
Debt purpose levies	739,060
Unrestricted grants and contributions	
State	16,371,434
Federal	72,351
Unrestricted investment earnings	30,240
Other	25,181
<b>Total General Revenues</b>	<b>20,880,891</b>
Change in Net Assets	1,113,798
Net Assets-Beginning	15,723,192
Prior Period Adjustments	29,008
Net Assets-Restated	15,752,200
Net Assets-Ending	<u>\$ 16,865,998</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
**June 30, 2005**

	<u>Major Funds</u>		Total (Memorandum Only)
	<u>General Funds</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents (Note 3)	\$ 3,029,979	722,138	3,752,117
Investments (Note 3)	-	165,841	165,841
Due from other governments	273,524	517,225	790,749
Other receivables, net	3,584	723	4,307
Due from other funds (Note 4)	388,828	39,267	428,095
Inventories and prepaid items	-	52,819	52,819
<b>Total Assets</b>	<u><u>3,695,915</u></u>	<u><u>1,498,013</u></u>	<u><u>5,193,928</u></u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	1,064,899	259,865	1,324,764
Deferred revenue	-	63,370	63,370
Due to other funds (Note 4)	45,297	309,223	354,520
<b>Total Liabilities</b>	<u><u>1,110,196</u></u>	<u><u>632,458</u></u>	<u><u>1,742,654</u></u>
<b>Fund Balances</b>			
Reserved for:			
Inventory	-	52,819	52,819
Ad Valorem	327,627	-	327,627
Unemployment	-	84,062	84,062
Debt service funds	-	476,784	476,784
Unreserved:			
Undesignated reported in:			
General Funds	2,258,092	-	2,258,092
Special Revenue Funds	-	246,691	246,691
Capital Projects Funds	-	5,199	5,199
<b>Total Fund Balances</b>	<u><u>2,585,719</u></u>	<u><u>865,555</u></u>	<u><u>3,451,274</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 3,695,915</u></u>	<u><u>1,498,013</u></u>	<u><u>5,193,928</u></u>

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

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

	<u>Amount</u>
Total Fund Balance--Governmental Funds	\$ 3,451,274
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities, but are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$8,490,967.	30,654,607
2. Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(17,038,202)
3. Accrued interest on debt is not due and payable in the current period and therefore not reported in the funds.	<u>(201,681)</u>
Total Net Assets-Governmental Activities	<u>\$ 16,865,998</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance -**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Funds	Other Governmental Funds	Total Governmental
<b>Revenues</b>			
Local sources	\$ 4,527,779	1,332,530	5,860,309
State sources	15,197,891	1,173,543	16,371,434
Federal sources	150,866	2,668,563	2,819,429
<b>Total Revenues</b>	<u>19,876,536</u>	<u>5,174,636</u>	<u>25,051,172</u>
<b>Expenditures</b>			
Instruction	12,111,851	2,234,684	14,346,535
Support services	5,559,775	1,147,534	6,707,309
Noninstructional services	-	1,642,827	1,642,827
Facilities acquisition and construction	103,469	151,021	254,490
Principal	350,000	805,000	1,155,000
Interest	185,286	553,372	738,658
<b>Total Expenditures</b>	<u>18,310,381</u>	<u>6,534,438</u>	<u>24,844,819</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>1,566,155</u>	<u>(1,359,802)</u>	<u>206,353</u>
<b>Other Financing Sources (Uses)</b>			
Sale of property	1,937	-	1,937
Other Uses	-	(2,225)	(2,225)
Operating transfers in	1,599,493	931,569	2,531,062
Operating transfers out	(2,512,171)	(18,891)	(2,531,062)
<b>Total Other Financing Sources (Uses)</b>	<u>(910,741)</u>	<u>910,453</u>	<u>(288)</u>
<b>Excess of Revenues and Other</b>			
<b>Sources Over (Under) Expenditures</b>			
<b>and Other Uses</b>	<u>655,414</u>	<u>(449,349)</u>	<u>206,065</u>
Fund Balances, July 1, 2004	1,930,305	1,299,747	3,230,052
Increase in reserve for inventory	-	15,157	15,157
Fund Balance, June 30, 2005	<u>\$ 2,585,719</u>	<u>\$ 865,555</u>	<u>\$ 3,451,274</u>

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

Itawamba County 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

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 206,065
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 purchase amounted to \$731,992 and the depreciation expense amounted to \$913,304.	(181,312)
2. Reduction of long-term liabilities are reported in the governmental funds, but not in the statement of activities.	1,155,000
3. Decrease in accrued interest is payable reported as an adjustment to interest expense in the statement of activities.	17,835
4. Net decrease in compensated absences payable is reported as an adjustment to support services and noninstructional services.	42,724
5. Book value of net assets disposed of during year.	(141,671)
6. Increase in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	<u>15,157</u>
Change in Net Assets	<u><u>\$ 1,113,798</u></u>

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

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

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 75,545</u>
<b>Total Assets</b>	<u>75,545</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	1,970
Due to other funds	<u>73,575</u>
<b>Total Liabilities</b>	<u>\$ 75,545</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT  
NOTES TO 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.

The Itawamba County School Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards and is included in the district's reporting entity.

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district. (see Note 10.)

**B. Basis of Presentation**

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

**Government-Wide Financial Statements:**

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The 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.

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

**(1) Summary of Significant Accounting Policies (Continued)**

**Fund Financial Statements:**

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

**C. Measurement Focus and Basis of Accounting**

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund 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 flows take 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.

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which is 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.

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 capital projects) that are legally restricted for specific expenditure purposes.

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

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

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

**(1) Summary of Significant Accounting Policies (Continued)**

**FIDUCIARY FUNDS**

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

**D. Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued 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 encumbrances 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.

Investments are reported at fair value.

**H. Inventories and Prepaid Items**

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

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

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

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

**(1) Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets**

Capital acquisition 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 statement.

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	\$ -	-
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. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations 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 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.

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

**(1) Summary of Significant Accounting Policies (Continued)**

**L. Equity Classifications**

**Government-Wide Financial Statements:**

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

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

**Fund Financial Statements:**

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

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

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

Reserved for ad valorem – An account that represents a portion of the fund balance that is legally restricted for ad valorem taxes that were collected in excess of the allowable amount and are not spendable in the current period.

**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.

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

**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 only if the payable has matured, for example, an employee retires.

**(2) Changes in Accounting Standards**

As required, the School District has implemented Governmental 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 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, Cash with fiscal agents and Investments**

**Cash and Cash Equivalents**

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

The carrying amount of the school district's deposits with financial institutions in the governmental funds and fiduciary funds was \$3,752,117 and \$75,545, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,752,117. The bank balance was \$4,630,608.

*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 formal 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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$4,630,608 was exposed to custodial credit risk.

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

Investments.

Investment Type	Maturities (in years)	Fair Value	Rating
U.S. Treasury Bill		\$ 165,841	Not Rated

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk-Investments.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside part. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, none of the district's investment balance was exposed to custodial credit risk.

*Concentration of Credit Risk.* Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. Government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district did not have investments of this type.

**(4) Interfund Transactions and Balances**

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Reason	Due From	Due To
Governmental Funds			
General Fund	Temporary Loan	\$ 388,828	45,297
Other Governmental Funds	Temporary Loan	39,267	309,223
Fiduciary Funds	Temporary Loan		73,575
Total Funds		<u>428,095</u>	<u>428,095</u>

B. Transfers In/Out

		Transfers In	Transfers Out
Governmental Funds			
General Fund	Support	\$ 1,599,493	2,512,171
Other Governmental Funds	Indirect cost	931,569	18,891
Total Funds		<u>\$ 2,531,062</u>	<u>\$ 2,531,062</u>

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

**(5) Capital Assets**

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

	Balance 6/30/2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2005
<u>Non-depreciable capital</u>						
<u>Assets</u>						
Land	\$ 1,161,634	-	-	-	-	1,161,634
Construction in progress	3,321,391	253,737	-	(3,575,128)	-	-
Total non-depreciable	4,483,025	253,737	-	(3,575,128)	-	1,161,634
<u>Depreciable capital assets:</u>						
Buildings	30,157,386	753	452,041	3,575,128	-	33,281,226
Building Improvements	39,950	-	-	-	-	39,950
Improvements other than buildings	895,268	119,430	-	-	-	1,014,698
Mobile equipment	2,717,925	312,355	28,196	-	52,742	3,054,826
Furniture and equipment	607,470	45,717	36,213	-	-	616,974
Total depreciable capital assets	34,417,999	478,255	516,450	3,575,128	52,742	38,007,674
<u>Less accumulated depreciation for:</u>						
Buildings	5,385,667	647,045	316,428	-	-	5,716,284
Building improvements	6,392	1,598	-	-	-	7,990
Improvements other than buildings	460,966	33,785	-	-	-	494,751
Mobile equipment	1,633,212	184,624	22,500	-	23,734	1,819,070
Furniture and equipment	466,205	46,252	35,851	-	-	476,606
Total accumulated depreciation	7,952,442	913,304	374,779	-	23,734	8,514,701
Total depreciable capital assets, net	26,465,557	(435,049)	141,671	3,575,128	29,008	29,492,973
Governmental activities capital assets, net	30,948,582	(181,312)	141,671	-	29,008	30,654,607

Adjustment was made to include cost of school bus omitted on prior reports.

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

**(5) Capital Assets (Continued)**

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 527,484
Support services	352,631
Non-instructional	33,189
Total depreciation expense	\$ 913,304

**(6) Long-term liabilities**

The following is a summary of changes in general long-term debt and other obligations:

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amounts due within one year
A. General obligation bonds payable	\$ 7,390,000	-	350,000	7,040,000	370,000
B. Limited obligation bonds payable	5,685,000	-	285,000	5,400,000	300,000
C. Certificates of participation payable	4,150,000	-	350,000	3,800,000	370,000
D. Three mill notes payable	735,000	-	170,000	565,000	180,000
E. Compensated absences payable	275,926	-	42,724	233,202	-
	\$ 18,235,926	-	1,197,724	17,038,202	1,220,000

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

**(6) Long-term liabilities (Continued)**

**A. General obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2002	2.75-3.75%	12/1/2002	12/1/2010	\$ 1,000,000	775,000
General obligation bonds, Series 2003	Varies	4/01/2003	4/01/2019	6,700,000	6,265,000
<b>Total</b>				<u>\$ 7,700,000</u>	<u>7,040,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 370,000	246,878	616,878
2007	385,000	233,753	618,753
2008	405,000	220,688	625,688
2009	425,000	206,621	631,621
2010	445,000	191,733	636,733
2011-2015	2,535,000	725,765	3,260,765
2016-2019	2,475,000	237,451	2,712,451
	<u>\$ 7,040,000</u>	<u>2,062,889</u>	<u>9,102,889</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 6.31% of property assessments as of October 1, 2004. This debt will be retired from the General Obligation Debt Retirement Fund.

**B. Limited obligation bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvements Series 1998	4.3-6.1%	3/01/1998	3/01/2018	6,500,000	5,400,000
<b>Total</b>				<u>\$ 6,500,000</u>	<u>5,400,000</u>

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

**(6) Long-term liabilities (Continued)**

**B. Limited obligation bonds payable - continued**

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 300,000	243,250	543,250
2007	300,000	224,950	524,950
2008	310,000	207,895	517,895
2009	325,000	193,003	518,003
2010	340,000	178,705	518,705
2011-2015	1,955,000	647,822	2,602,822
2016-2018	1,870,000	160,089	2,030,089
	<u>\$ 5,400,000</u>	<u>1,855,714</u>	<u>7,255,714</u>

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

**C. Certificates of participation payable.**

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificate, Series 1993	4.1-5.8%	9/15/1993	9/15/2008	\$ 940,000	330,000
Trust certificate, Series 1997	4.5-6.4%	8/01/1997	8/01/2009	1,265,000	635,000
Trust certificate, Series 1998	4.5-5.7%	6/01/1998	6/01/2018	1,300,000	980,000
Trust certificate, Series 2001	3.1-4.8%	10/01/2001	10/01/2016	2,200,000	1,855,000
<b>Total</b>				<u>\$ 5,705,000</u>	<u>3,800,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 370,000	166,206	536,206
2007	380,000	149,840	529,840
2008	400,000	132,542	532,542
2009	430,000	113,912	543,912
2010	355,000	96,363	451,363
2011-2015	1,200,000	312,789	1,512,789
2016-2019	665,000	46,808	711,808
	<u>\$ 3,800,000</u>	<u>1,018,460</u>	<u>4,818,460</u>

This debt will be retired from the District Maintenance Fund.

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

**(6) Long-term liabilities (Continued)**

Debt currently outstanding is as follows:

D. Three-mill notes payable.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Notes payable, Series 1998	4.25-5.7%	6/01/1998	6/01/2008	\$ 1,390,000	565,000
Total				<u>\$ 1,390,000</u>	<u>565,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2006	\$ 180,000	24,013	204,013
2007	190,000	16,363	206,363
2008	195,000	8,288	203,288
Total	<u>\$ 565,000</u>	<u>48,664</u>	<u>613,664</u>

This debt will be retired from the Three-Mill Debt Retirement Fund.

E. Compensated Absences Payable

As more fully explained in Note 1-O, compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the 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 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 information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 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 are established and may be amended only by the State of Mississippi Legislature. The Itawamba County School District's contributions to PERS for the years ending June 30, 2005, 2004, and 2003, were \$1,345,867, \$1,282,290, and \$1,204,945, respectively, equal to the required contributions for each year.

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

**(8) Risk Management**

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

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 the fund held in the trust by BancorpSouth 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.

**(9) Contingencies**

The school district receives Federal Grants for specific purposes that are subject to review and audit by Federal agencies. Such audits could result in a requirement for reimbursement by the Federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the school district, such disallowances, if any, would not be significant to the district's financial statements.

**(10) Prior Period Adjustments/Exhibits**

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statements of Activities

<u>Explanation</u>	<u>Amount</u>
Correction of prior year capital assets: (See Note 5)	\$ 29,008

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

**(11) Trust Certificates**

A trust agreement dated September 15, 1993, was executed by and between the school district and the Itawamba County Leasing Authority, with the People's Bank of Biloxi, Mississippi, as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of \$940,000. The proceeds are to be used for capital improvements within the school district.

A second trust agreement dated August 1, 1997, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of \$1,265,000. The proceeds are to be used for capital improvements within the school district.

A third trust agreement dated June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

A fourth trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of certificates of participation in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments made by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

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

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by these trust agreements were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by these trust agreements are part of the school district's financial statements, thereby eliminating the effects of the lease agreements for financial reporting purposes.

**(12) Litigation**

There are two matters of pending litigation. A student was injured on school property and the family has filed a lawsuit. Insurance is expected to cover this issue. A second student fell from a pickup truck on campus. The district is not expected to be liable.

**Itawamba County School District  
Budgetary Comparison Schedule for the General Fund  
For the Year Ended June 30, 2005**

	Original	Final	Actual (GAAP Basis)	Variances	
				Original to Final	Final to Actual
<b>Revenue</b>					
Local Sources	\$ 4,789,530	4,406,953	4,527,779	(382,577)	120,826
State Sources	15,160,616	15,179,316	15,197,891	18,700	18,575
Federal Sources	155,000	137,457	150,866	(17,543)	13,409
<b>Total Revenues</b>	<b>20,105,146</b>	<b>19,723,726</b>	<b>19,876,536</b>	<b>(381,420)</b>	<b>152,810</b>
<b>Expenditures</b>					
Instruction	12,127,908	12,066,654	12,111,851	61,254	(45,197)
Support Services	5,380,869	5,557,406	5,559,775	(176,537)	(2,369)
Noninstructional Services	47	-	-	47	-
Facilities Acquisition and Construction	261,409	108,984	103,469	152,425	5,515
Debt Service:					
Principal	350,000	350,000	350,000	-	-
Interest	185,697	185,286	185,286	411	-
<b>Total Expenditures</b>	<b>18,305,930</b>	<b>18,268,330</b>	<b>18,310,381</b>	<b>37,600</b>	<b>(42,051)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,799,216</b>	<b>1,455,396</b>	<b>1,566,155</b>	<b>(419,020)</b>	<b>194,861</b>
<b>Other Financing Sources (Uses)</b>					
Sale of Property	-	-	1,937	-	1,937
Operating Transfers In	1,707,495	1,602,896	1,599,493	(104,599)	(3,403)
Operating Transfers Out	(3,523,265)	(2,461,639)	(2,512,171)	1,061,626	(50,532)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,815,770)</b>	<b>(858,743)</b>	<b>(910,741)</b>	<b>957,027</b>	<b>(51,998)</b>
<b>Excess (Deficiency) of Revenues over Expenditures and Other Sources (uses) and Other Uses</b>	<b>(16,554)</b>	<b>596,653</b>	<b>655,414</b>	<b>613,207</b>	<b>(58,761)</b>
<b>Fund Balances</b>					
July 1, 2004	1,930,305	1,930,305	1,930,305	-	-
June 30, 2005	\$ 1,913,751	2,526,958	2,585,719	613,207	(58,761)

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

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

**(1) Basis of Presentation**

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

**(2) Budget amendments and revisions**

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before 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.

The District exceeded budgetary limitations in the following funds as the result of making incorrect budgetary comparisons.

District Maintenance	\$ (10,997)
Activity Fund	(17,346)
Food Service Fund	(95,236)
EEF Supplies Fund	(157)
Debt Service 4031 Fund	(546,979)
Capital Projects Fund	(4,974)
Total	<u>\$ (675,689)</u>

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

**Schedule 1**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Passed through the Mississippi Department of Education		
Non-Cash Assistance:		
Food Donation	10.550	\$ 99,186
Child Nutrition Cluster:		
School breakfast program	10.553	287,822
National school lunch program	10.555	724,865
Total Nutrition Cluster		<u>1,012,687</u>
 Total Passed-through Mississippi Department of Education		 <u>1,111,873</u>
 Total U.S. Department of Agriculture		 <u>1,111,873</u>
<b>Federal Communications Commission</b>		
Passed-through the Universal Sedrvce Administrative Company		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	53,044
<b>Total Federal Communications Commission</b>		<u>53,044</u>
<b>U.S. Department of Education</b>		
Passed-through Mississippi Department of Rehabilitation:		
Special Education Cluster		
Special Education - Grants to States	84.027	699,264
Special Education - Preschool Grants	84.173	45,176
Total Special Education Cluster		<u>744,440</u>
 Title I grants to local education agencies	84.010	541,765
Vocational education - basic grants to states	84.048	39,058
Safe and drug-free schools and communities-state grants	84.186	17,829
State grants for innovative programs	84.298	23,013
Education technology state grants	84.318	9,474
Improving teacher quality - state grants	84.367	203,054
Grants for state assessemnts and related activities	84.369	141
Total Passed Through Mississippi Department of Education		<u>1,578,774</u>
 Total Passed U.S. Department of Education		 <u>1,578,774</u>
 Total for All Federal Awards		 <u>\$ 2,743,691</u>

Notes to Schedule

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

**ITAWAMBA COUNTY SCHOOL DISTRICT**  
**Schedule of Instructional, Administrative and Other Expenses- Governmental Funds**  
**June 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instructional</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 18,068,267	13,212,963	1,580,545	3,274,759
Other	6,776,552	1,133,572	286,912	5,356,068
<b>Total</b>	<b>\$ 24,844,819</b>	<b>14,346,535</b>	<b>1,867,457</b>	<b>8,630,827</b>
Total number of students	<u>3,544</u>			
Cost per student	<u>\$ 7,010</u>	<u>\$ 4,048</u>	<u>\$ 527</u>	<u>\$ 2,435</u>

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

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

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

Other - includes all expenditure functions not included in instruction or administrative.

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



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

Superintendent and School Board  
Itawamba County School District

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Itawamba County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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*.

This report is intended solely for the information and use of the school board, 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.

Brauner, VanStey + C.O.P.A.

November 11, 2005  
Booneville, Mississippi



Certified Public Accountants

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

Superintendent and School Board  
Itawamba County School District

Compliance

We have audited the compliance of the Itawamba 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 Itawamba County School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

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

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

*Brauner, Vanday & Co. P.A.*

November 11, 2005  
Booneville, Mississippi



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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2005, which collectively comprise the Itawamba County School District's basic financial statements, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards, generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 37-91-33(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 an 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 \$12,950 of classroom supply funds carried over from previous years.

As described in the accompanying Notes to the Budgetary Comparison Schedule, the District did not comply with the requirements regarding budgetary limitations that are applicable at the individual fund level. Except for the non compliance noted in the preceding paragraph, 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 other instances of noncompliance.

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, 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.

*Brawner Vanstory - Co P.A.*

November 11, 2005  
Booneville, Mississippi

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

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditors' report issued on the financial statements:                        | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                        | No          |
| 3. | Internal control over financial reporting:  |             |
| a. | Material weakness(es) identified?   | No          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No          |

**Federal Awards:**

- |    |   |             |
|----|---|-------------|
| 4. | Type of auditors' report issued on compliance for major federal programs:           | Unqualified |
| 5. | Internal control over major programs:   |             |
| a. | Material weakness(es) identified?   | No          |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | No          |
| 6. | Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? | No          |
| 7. | Federal programs identified as major programs:                                      |             |

Cluster: Child Nutrition

CFDA: #10.553

CFDA: #10.555

Cluster: Special Education Cluster

CFDA: #84.027

CFDA: #84.173

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

**Section 1: Summary of Auditors' Results (Continued)**

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

**Section 2: Financial Statement Findings**

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

**Section 3: Federal Award Findings and Question Costs**

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

**Itawamba County School District**  
605 S. Cummings St.  
Fulton MS 38843

**F.G. Wiygul, Jr.**  
Superintendent of Education

Phone 662-862-2159  
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Prior Audit Findings

As required by Section \_\_\_\_\_ .315 © of OMB Circular A-133, the Itawamba County School District has prepared and hereby submits the followings status of findings as of June 30, 2005:

<u>FINDING</u>	<u>STATUS</u>
2004-1	Sufficient controls have been implemented to insure that all revenue from meal sales is collected. Also, polices have been put into place to insure that students are not allowed to charge meals after a specified amount.
2004-2	Policies and procedures have been implemented to insure all revenue generated from the sale of extra food is accounted for and deposited.
2004-3	Procedures requiring more detailed verification procedures and more accurate income calculations have been implemented to insure students are served by the correct status.
2004-4	Procedures requiring more detailed verification procedures and more accurate income calculations have been implemented to insure students are served by the correct status.