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**Mound Bayou Public School District**

**Audited Financial Statements  
June 30, 2005**

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

FINANCIAL AUDIT REPORT

**Mound Bayou Public School District  
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INDEPENDENT AUDITOR'S REPORT  
ON THE BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY  
INFORMATION AND SUPPLEMENTARY INFORMATION

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

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

October 26, 2005  
Superintendent and School Board  
Mound Bayou Public School District

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated October 26, 2005 on my consideration of the Mound Bayou Public School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

The Management's Discussion and Analysis on pages 8-14 and the Budgetary Comparison Schedule and corresponding notes on pages 41-44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on

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it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mound Bayou Public 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 Instruction, 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.



J.E. Fortenberry, III, P.C.  
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

**FINANCIAL HIGHLIGHTS**

- Total net assets increased \$520,576, which represents a 37% increase from fiscal year 2004.
- General revenues account for \$3,941,943 in revenue, or 70% of all revenues. This amount was more in total dollars than the prior year, but percentage-wise was less than the general revenues reported for the year 2004, which consisted of \$3,891,250 in revenue, or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,711,863 or 30% of total revenues compared with \$1,551,919 in program revenues for the year 2004.
- The District had \$5,133,230 in expenses, amount that increased when compared with the \$4,816,255 in expenses for the prior year; only \$1,711,863 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$3,941,943 were adequate to provide for these programs.
- Among major funds, the General Fund had \$3,755,424 in revenues and \$3,318,663 in expenditures. In 2004 the General Fund had \$3,694,017 in revenues and \$3,150,057 in expenditures. The General Fund's fund balance increased \$241,445 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$159,171. The majority of this decrease is due to additions to mobile equipment such as buses.
- Long-term debt decreased by \$88,668.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found on pages 16 and 17 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance

sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24, respectively.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 18 and 22 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

**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 26-39 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 41-44 of this report.

Additionally, a new schedule of instructional, administrative and other expenditures - Governmental Funds have been incorporated to this report right after the schedule of expenditures of federal awards. The schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 46 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 \$1,917,309 as of June 30, 2005.

The largest portion of the District's net assets (\$642,078 or 33.49%) reflects its investment in capital assets (e.g. buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases, less any related

debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

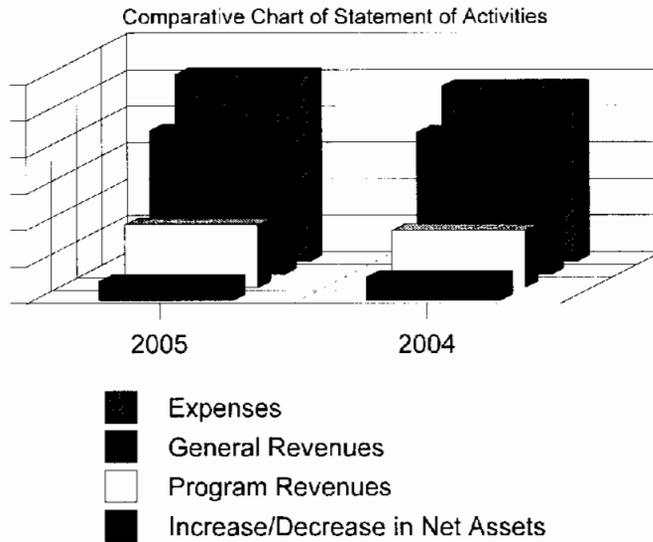
The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

	<u>2005</u>	<u>2004</u>
<b>Assets</b>		
Current assets	\$ 2,428,169	\$ 2,257,333
Capital assets, net	<u>686,972</u>	<u>527,802</u>
<b>Total assets</b>	<u>3,115,141</u>	<u>2,785,135</u>
<b>Liabilities</b>		
Current liabilities	249,303	349,538
Long-term debt outstanding	<u>948,529</u>	<u>1,038,864</u>
<b>Total liabilities</b>	<u>1,197,832</u>	<u>1,388,402</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	642,078	470,081
Restricted	680,714	686,692
Unrestricted	<u>594,517</u>	<u>239,960</u>
<b>Total net assets</b>	<u>\$ 1,917,309</u>	<u>\$ 1,396,733</u>

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$5,653,806 . The total cost of all programs and services was \$5,133,230. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

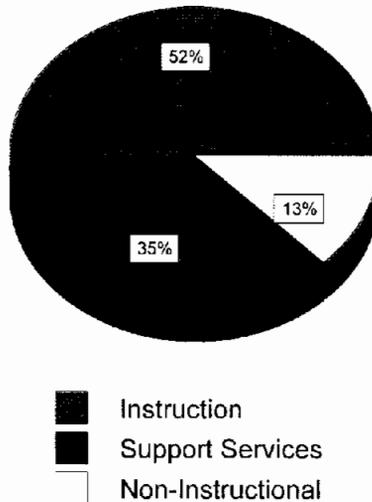
	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program revenues	\$ 1,711,863	\$ 1,551,919
General revenues	<u>3,941,943</u>	<u>3,891,250</u>
<b>Total revenues</b>	<u>5,653,806</u>	<u>5,443,169</u>
<b>Expenses:</b>		
Instruction	2,693,839	2,698,737
Support services	1,788,982	1,747,622
Non-instructional	650,409	369,396
Interest on long-term liabilities	<u>0</u>	<u>500</u>
<b>Total expenses</b>	<u>5,133,230</u>	<u>4,816,255</u>
<b>Increase in net assets</b>	<u>\$ 520,576</u>	<u>\$ 626,914</u>



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

	Total Expenses	Net(Expense) Revenue
Instruction	\$ 2,693,839	\$ (2,149,152)
Support services	1,788,982	(1,741,879)
Non-instructional	650,409	469,664
<b>Total expenses</b>	<b>\$ 5,133,230</b>	<b>\$ (3,421,367)</b>

Chart as per Statement of Activities



- Net cost of governmental activities (\$3,421,367), was financed by general revenue, which is made up of primarily property taxes (\$426,880) and state revenue (\$3,273,308).
- Investment earnings accounted for \$24,486 of funding.

## **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,255,604, an increase of \$274,665.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$241,445. The fund balance in the Title I Basic Fund for the fiscal year experienced no change. The increase in fund balance in the Debt Service Fund for the fiscal year was \$91,018. The fund balance of Other Governmental Funds showed a decrease of \$57,798.

## **BUDGETARY HIGHLIGHTS**

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

### **General Fund:**

Budget amounts for revenue from local sources was increased because state actually sent revenues that were allocated to the district.

Budget amounts for the expenditures were increased mainly for exceptional increases in utility expenses and purchase of three (3) new school buses.

Budget amounts for other sources were increased for new nurse grant and MDEZA grant to help purchase buses.

### **Title I Fund:**

Budget amounts for revenue were increased to include carry-over of prior year.

Budget amounts for the expenditures were increased mainly for inclusion of carry-over funds.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, and the Title I Fund is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$2,293,576, including school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$197,937 from the previous year. The reason for this increase was due to the fact that mobile equipment was added to the district's capital assets. Total accumulated depreciation as of June 30, 2005 was \$1,606,605 and total depreciation expense for the year was \$38,766, resulting in total net capital assets of \$686,972.

Additional information of the District's capital assets can be found in Note 4 on page 34 of this report.

**Debt Administration.** At June 30, 2005, the District had no general obligation bonds outstanding but have \$1,025,267 in other long-term debt outstanding, of which \$76,738 is due within one year.

The District maintains an A+ bond rating with Standard and Poor's. Additional information of the District's long-term debt can be found in Note 5 on page 35 of this report.

## **CURRENT ISSUES AND OTHER INFORMATION**

The Mound Bayou Public School District is financially stable. The District is proud of its community support of the public schools. The assessed valuation of the Mound Bayou Public School District at October 1, 2004 is \$9,103,645. This amount represents a 36% increase from the prior year.

The district's operational tax millage rate for fiscal year 2005 is 50.26 mills and the debt service millage rate is 2.41 mills for a total millage rate of 52.67.

The district has committed itself to financial excellence for many years. The Mississippi State Department of Education encourages a school district to maintain the fund balance of the district maintenance fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2005, the district maintenance fund balance was \$1,379,557, or 43% of total revenues.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Mound Bayou Public School District, 251 Greene Street, Mound Bayou, MS 38762 .

FINANCIAL STATEMENTS

**MOUND BAYOU SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS AND OTHER DEBITS</b>	
<b>Assets:</b>	
<i>Cash and other deposits</i>	\$ 1,849,943
<i>Cash with fiscal agents</i>	120
<i>Due from other governments</i>	225,576
<i>Other receivables, net</i>	10,140
<i>Inventories and prepaid items</i>	3,762
<i>Restricted Assets</i>	338,628
<i>Capital Assets, net</i>	686,972
<b>Total Assets</b>	<u>3,115,141</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	153,170
<i>Due to other governments</i>	319
<i>Deferred revenue</i>	19,076
<b>Long-term liabilities (due within one year):</b>	
<i>Capital related liabilities</i>	12,827
<i>Non-capital related liabilities</i>	63,911
<b>Long-term liabilities (due beyond one year)</b>	
<i>Capital related liabilities</i>	32,067
<i>Non-capital related liabilities</i>	916,462
<b>Total Liabilities</b>	<u>1,197,832</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	642,078
<b>Restricted For:</b>	
School Based Activities	141,000
Debt Service	385,483
Capital Improvements	91,770
Unemployment	61,578
Sixteenth Section	
Nonexpendable	883
Unrestricted	594,517
<b>Total Net Assets</b>	<u>\$ 1,917,309</u>

The accompanying notes are an integral part of this statement.

**MOUND BAYOU 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
Primary government				
Governmental Activities:				
<i>Instruction</i>	2,693,839	87,987	456,700	(2,149,152)
<i>Support services</i>	1,788,982	--	47,103	(1,741,879)
<i>Noninstructional services</i>	650,409	34,830	1,085,243	469,664
Total Primary Government	<u>\$ 5,133,230</u>	<u>\$ 122,817</u>	<u>\$ 1,589,046</u>	<u>(3,421,367)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				426,880
Unrestricted grants and contributions:				
<i>State</i>				3,273,308
<i>Federal</i>				43,182
<i>Unrestricted investment earnings</i>				24,486
<i>Sixteenth section sources</i>				35,240
<i>Other</i>				138,847
Total general revenues				<u>3,941,943</u>
Change in Net Assets				<u>520,576</u>
Net Assets - Beginning				<u>1,396,733</u>
Net Assets - Ending				<u>\$ 1,917,309</u>

The accompanying notes are an integral part of this statement.

**MOUND BAYOU SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2005

	General Fund	Title I Basic FYE - 2003
<b>ASSETS</b>		
<i>Cash and cash equivalents</i>	\$ 1,362,389	\$ --
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	--	--
<i>Due from other governments</i>	53,027	108,208
<i>Other receivables, net</i>	--	--
<i>Due from other funds</i>	19,712	--
<i>Inventories and prepaid items</i>	--	--
<b>Total Assets</b>	<b>\$ 1,435,128</b>	<b>\$ 108,208</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 27,010	\$ 94,947
<i>Due to other funds</i>	1,315	13,241
<i>Deferred revenue</i>	--	--
<b>Total Liabilities</b>	<b>28,325</b>	<b>108,188</b>
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	1,406,803	--
<i>Special Revenue funds</i>	--	20
<i>Capital projects funds</i>	--	--
<i>Debt service funds</i>	--	--
<i>Permanent funds</i>	--	--
<b>Total Fund Balances</b>	<b>1,406,803</b>	<b>20</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,435,128</b>	<b>\$ 108,208</b>

The accompanying notes are an integral part of this statement.

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 47,237	\$ 441,200	\$ 1,850,826
120	--	120
337,745	--	337,745
381	63,191	224,807
--	10,140	10,140
--	40	19,752
--	3,762	3,762
<u>\$ 385,483</u>	<u>\$ 518,333</u>	<u>\$ 2,447,152</u>
\$ --	\$ 31,213	\$ 153,170
--	4,746	19,302
--	19,076	19,076
<u>--</u>	<u>55,035</u>	<u>191,548</u>
--	3,762	3,762
--	--	1,406,803
--	366,883	366,903
--	91,770	91,770
385,483	--	385,483
--	883	883
<u>385,483</u>	<u>463,298</u>	<u>2,255,604</u>
<u>\$ 385,483</u>	<u>\$ 518,333</u>	<u>\$ 2,447,152</u>

**MOUND BAYOU SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

Total fund balances - governmental funds balance sheet	\$ 2,255,604
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	686,972
Liabilities due in one year	(76,738)
Payables for bond principal which are not due in the current period are not reported in the funds.	(855,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(15,006)
Payables for judgements which are not due in the current period are not reported in the funds.	(46,456)
Other long-term liabilities not due and payable in the current period are not reported in the funds.	(32,067)
Net assets of governmental activities - statement of net assets	<u>\$ 1,917,309</u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Title I Basic FYE - 2003
Revenue:		
Local sources	\$ 636,550	\$ --
State sources	3,075,692	--
Federal sources	43,182	578,671
Sixteenth section sources	--	--
Total revenues	<u>3,755,424</u>	<u>578,671</u>
Expenditures:		
Instruction	1,909,000	315,719
Support services	1,318,802	198,295
Noninstructional services	--	53,108
Facilities acquisition and construction	--	--
Debt service:		
Principal	90,861	--
Interest	--	--
Total expenditures	<u>3,318,663</u>	<u>567,122</u>
Excess (deficiency) of revenues (over) expenditures	436,761	11,549
Other financing sources (uses):		
Operating transfers in	16,139	--
Operating transfers out	(207,978)	(11,549)
Other financing uses	(3,477)	--
Total other financing sources (uses)	<u>(195,316)</u>	<u>(11,549)</u>
Net change in fund balance	241,445	--
Fund Balances:		
July 1, 2004	1,165,358	20
Increase (decrease) in reserve for inventory	--	--
June 30, 2005	<u>\$ 1,406,803</u>	<u>\$ 20</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 37,018	\$ 41,656	\$ 715,224
--	377,158	3,452,850
--	830,833	1,452,686
--	35,240	35,240
<u>37,018</u>	<u>1,284,887</u>	<u>5,656,000</u>
--	438,007	2,662,726
--	462,069	1,979,166
500	393,560	447,168
--	197,937	197,937
--	--	90,861
--	--	--
<u>500</u>	<u>1,491,573</u>	<u>5,377,858</u>
36,518	(206,686)	278,142
54,500	207,977	278,616
--	(59,089)	(278,616)
--	--	(3,477)
<u>54,500</u>	<u>148,888</u>	<u>(3,477)</u>
91,018	(57,798)	274,665
294,465	523,023	1,982,866
--	(1,927)	(1,927)
<u>\$ 385,483</u>	<u>\$ 463,298</u>	<u>\$ 2,255,604</u>

**MOUND BAYOU SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ 274,665
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	197,937
The depreciation of capital assets used in governmental activities is not reported in the funds.	(38,766)
Change in inventory from beginning to end of period	(1,927)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	90,861
Compensated absences reported as amount earned in the SOA but as the amount paid in the funds.	(2,193)
Rounding difference	(1)
	<u>520,576</u>
Change in net assets of governmental activities - statement of activities	\$ 520,576

The accompanying notes are an integral part of this statement.

**MOUND BAYOU SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2005**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and other deposits</i>	\$ 238,101
<i>Due from other funds</i>	319
<b>Total Assets</b>	<b>\$ 238,420</b>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts Payable &amp; Accrued Liabilities</i>	\$ 235,402
<i>Due to student clubs</i>	2,249
<i>Due to other funds</i>	769
<b>Total Liabilities</b>	<b>\$ 238,420</b>

The accompanying notes are an integral part of this statement.

**Mound Bayou Public School District**

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

## Mound Bayou Public 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 where 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 reporting government as a whole. They include all the funds of the reporting entity except for the fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

## Mound Bayou Public School District

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

### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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 so have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due. The school district reports the following major governmental funds:

General Fund - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

Title I Fund- This is the school district's federally funded program offering remedial mathematics, language arts, and reading instruction to eligible students under a school-wide structured project.

Debt Service Fund- This is the school district's fund that collects ad valorem receipts and makes transfers to the Qualified Zone Academy Bond escrow agent to retire the debt upon maturity.

## Mound Bayou Public School District

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

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

Additionally the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of result 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. Accordingly, no encumbrances were outstanding at year-end.

#### F. Cash and Cash Equivalents.

## Mound Bayou Public School District

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

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 account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

#### G. Investments.

The school district is allowed, by statute, to invest excess fund, as permitted by Section 29-3-113 Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the type described in Sections 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 of greater than twelve months when acquired.

#### 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

#### I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets 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 scale details those thresholds.

Capitalization Policy	Estimated Useful Life
--------------------------	--------------------------

## Mound Bayou Public School District

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

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
Leased property under capital leases		*	*

(\*) The threshold amounts 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 of 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 receivables are reported as "due from other funds" and are considered available expendable resources.

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

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

#### L. Equity Classifications.

##### ***Government-Wide Financial Statements:***

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

- a. Invested in capital assets, net of related debt- Consists of capital assets including

## **Mound Bayou Public School District**

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

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 all 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.

#### **M. Property Taxes.**

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

#### **N. Mississippi Adequate Education Program Revenues**

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

#### **O. Compensated Absences.**

Employees of the school district accumulate sick leave at a minimum amount as

## Mound Bayou Public School District

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

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

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

#### (2) Cash and Cash Equivalents, and Investments.

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

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$1,850,826, and \$238,101 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$1,849,943 and Restricted Assets \$338,628. The Restricted Assets represents the cash balance of the 16<sup>th</sup> Section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that supports the district's programs. The bank balance was \$2,318,690.26.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of \$2,318,690.26 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$120.

#### (3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

**Mound Bayou Public School District**

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

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$ 19,712	1,315
Other major funds		
Title I	0	13,241
Non-major Funds	40	4,746
Agency Funds	319	769
Total Funds	<u>\$ 20,071</u>	<u>20,071</u>

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

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 16,139	207,978
Title I fund	0	11,549
Debt Service fund	54,500	0
Non-major Funds	<u>207,977</u>	<u>59,089</u>
Total Funds	<u>\$ 278,616</u>	<u>278,616</u>

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

(4) Capital Assets.

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

	<u>Balance 7-1-2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6-30-2005</u>
<u>Depreciable capital assets:</u>						
Buildings	1,563,657	0	0	0	0	1,563,657
Improvements other than bldgs.	56,513	0	0	0	0	56,513
Mobile equipment	287,350	197,937	0	0	0	485,287
Furniture and equipment	188,119	0	0	0	0	188,119
Total depreciable capital assets	<u>2,095,639</u>	<u>197,937</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,293,576</u>

Less accumulated depreciation for:

**Mound Bayou Public School District**

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
Buildings	1,139,498	11,932	0	0	0	1,151,430
Improvements other than bldgs.	4,522	2,261	0	0	0	6,783
Mobile equipment	254,953	21,476	0	0	0	276,429
Furniture and equipment	168,866	3,097	0	0	0	171,963
Total accumulated depreciation	<u>1,567,838</u>	<u>38,766</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,606,605</u>
Total depreciable capital assets, net	<u>527,801</u>	<u>159,171</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,972</u>
Governmental activities capital assets, net	<u>\$ 527,801</u>	<u>159,171</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,972</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$27,136
Support services	7,753
Non-Instructional	<u>3,877</u>
<b>Total depreciation expense</b>	<b><u>\$38,766</u></b>

(5) Long-term Liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. Qualified Zone Academy Bond Payable	\$ 855,000	0	0	0	855,000	0
B. Judgments Payable	186,734	0	78,034	0	108,700	62,244
C. Other loans payable	57,721	0	12,827	0	44,894	12,827
D. Compensated absences payable	14,480	2,193	0	0	16,673	1,667
Total	<u>\$ 1,113,935</u>	<u>2,193</u>	<u>90,861</u>	<u>0</u>	<u>1,025,267</u>	<u>76,738</u>

A. Qualified Zone Academy Bonds Payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
--------------------	--------------------------	-----------------------	--------------------------	--------------------------	-------------------------------

**Mound Bayou Public School District**

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

Qualified Zone Academy Bonds, Series 2000	Varies	09-12-00	07-01-10	\$ 855,000	855,000
Total				\$ 855,000	855,000

**B. Judgments Payable.**

Mound Bayou Public Public School District originally filed civil litigation against Cleveland School District on July 21, 1999, in the matter of a payroll loan to Mound Bayou Public Public School District made by Bolivar County School District. The litigation was finally appealed to the Supreme Court of Mississippi in November 2001, and a final judgement finding for Cleveland School District was affirmed on May 23, 2002, in the amount of \$232,276.

A settlement totaling \$47,368 in the litigation styled *Sharon Jones, and all Others Similarly Situated vs. Mound Bayou Public School District* was reached on May 29, 2003, in U.S. District Court for the Northern District of Mississippi, Western Division; Civil Action Number: 2:00CV178SB. The settlement is to be paid in three annual installments beginning in August 2003.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Cleveland School District	var.	05-23-02	03-15-07	\$232,276	\$ 92,911
FLSA Overtime Settlement	var.	05-29-03	07-31-05	47,368	15,789
Total				\$279,644	\$108,700

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$62,244	0	\$ 62,244
2007	46,456	0	46,456
Total	\$108,700		\$108,700

This debt payments will be paid from the district's maintenance fund.

**C. Other Loans Payable.**

Debt currently outstanding is as follows:

**Mound Bayou Public School District**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
U.S. EPA Loan	N/A	11-30-91	11-30-09	\$ 230,883	44,894
Total				<u>\$ 230,883</u>	<u>44,894</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$12,827	0	\$12,827
2007	12,827	0	12,827
2008	12,827	0	12,827
2009	<u>6,413</u>	0	<u>6,413</u>
Total	\$44,894		\$44,894

This debt will be retired from the District Maintenance Fund.

**D. Compensated Absences.**

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 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 \$269,850, \$269,349, and \$270,257, respectively, which equaled the required contributions for each year.

## Mound Bayou Public School District

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

The amount for fiscal year ending June 30, 2004 was restated from \$369,349 to \$269,349.

(7) Risk Management.

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

Participation in Public Entity Risk Pool.

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

(8) Alternative School Consortium.

The school district entered into an Alternative School Agreement dated November 6, 1996, creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie School District, Coahoma County School District, Drew School District, Quitman County School District, Mound Bayou Public Public School District, Coahoma Agricultural High School, East Tallahatchie School District, and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

## Mound Bayou Public School District

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

The west Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

(9) Qualified Zone Academy Bonds.

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Duncan Williams, Inc., has entered into such an arrangement dated September 12, 2000. The note was issued for the purpose of paying the costs of renovating, repairing, and rehabilitation a Qualified Zone Academy within the district and paying the costs of such borrowing with Duncan Williams, Inc. assisting in the underwriting. This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1, 2010. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2006	\$ 54,000
2007	54,000
2008	54,000
2009	54,000
2010	<u>54,000</u>
Total	\$270,000

REQUIRED SUPPLEMENTARY INFORMATION

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 494,998	625,660	636,550	130,662	10,890
State sources	3,005,158	3,198,057	3,075,692	192,899	(122,365)
Federal sources	0	34,736	43,182	34,736	8,446
Total Revenues	<u>3,500,156</u>	<u>3,858,453</u>	<u>3,755,424</u>	<u>358,297</u>	<u>(103,029)</u>
<b>Expenditures:</b>					
Instruction	1,995,497	1,998,647	1,909,000	(3,150)	89,647
Support services	1,496,799	1,576,649	1,318,802	(79,850)	257,847
Noninstructional services	0	0	0	0	0
Facilities acquisition and construction	0	0	0	0	0
Debt Service				0	0
Principal	12,827	12,827	90,861	0	(78,034)
Interest	0	0	0	0	0
Total Expenditures	<u>3,505,123</u>	<u>3,588,123</u>	<u>3,318,663</u>	<u>(83,000)</u>	<u>269,460</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,967)</u>	<u>270,330</u>	<u>436,761</u>	<u>441,297</u>	<u>166,431</u>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In	17,050	17,050	16,139	0	911
Operating Transfers Out	(73,279)	(210,928)	(207,978)	(137,649)	(2,950)
Other financing uses	0	0	(3,477)	0	3,477
Total Other Financing Sources (Uses)	<u>(56,229)</u>	<u>(193,878)</u>	<u>(195,316)</u>	<u>(137,649)</u>	<u>1,438</u>
Net Change in Fund Balances	<u>(61,196)</u>	<u>76,452</u>	<u>241,445</u>	<u>303,648</u>	<u>(164,993)</u>
<b>Fund Balances:</b>					
July 1, 2004	1,104,165	1,241,811	1,165,358	137,646	(76,453)
Prior period adjustments (Note )			0		0
July 1, 2004, as restated	<u>1,104,165</u>	<u>1,241,811</u>	<u>1,165,358</u>	<u>137,646</u>	<u>(76,453)</u>
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2005	<u>\$ 1,042,969</u>	<u>1,318,263</u>	<u>1,406,803</u>	<u>441,294</u>	<u>88,540</u>

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

**MOUND BAYOU PUBLIC SCHOOL DISTRICT**  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2005

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 533,798	692,656	578,671	158,858	(113,985)
Total Revenues	<u>533,798</u>	<u>692,656</u>	<u>578,671</u>	<u>158,858</u>	<u>(113,985)</u>
<b>Expenditures:</b>					
Instruction	236,834	383,753	315,719	(146,919)	68,034
Support services	205,910	237,566	198,295	(31,656)	39,271
Noninstructional services	51,054	62,857	53,108	(11,803)	9,749
Debt service	0	0	0	0	0
Total Expenditures	<u>493,798</u>	<u>684,176</u>	<u>567,122</u>	<u>(190,378)</u>	<u>117,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>40,000</u>	<u>8,480</u>	<u>11,549</u>	<u>349,236</u>	<u>3,069</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	0	0	0	0
Operating transfers out	(10,000)	(8,480)	(11,549)	0	3,069
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>(8,480)</u>	<u>(11,549)</u>	<u>0</u>	<u>3,069</u>
Net Change in Fund Balances	<u>30,000</u>	<u>0</u>	<u>0</u>	<u>349,236</u>	<u>6,138</u>
<b>Fund Balances:</b>					
July 1, 2004	30,020	20	20	(30,000)	0
Prior period adjustments (Note )			0		
July 1, 2004, as restated	<u>30,020</u>	<u>20</u>	<u>20</u>	<u>(30,000)</u>	<u>0</u>
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2005	<u>\$ 60,020</u>	<u>20</u>	<u>20</u>	<u>319,236</u>	<u>6,138</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY  
INFORMATION

## **Mound Bayou Public School District**

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

### Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

**Mound Bayou Public School District**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2005

**Schedule 1**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$19,689
Child Nutrition Cluster:		
School Breakfast Program	10.553	86,783
National School Lunch Program	10.555	261,644
Summer Food Service Program for Children	10.559	8,144
Total child nutrition cluster		<u>356,571</u>
Office of Community Development	10.772	8,196
Total passed-through the MDE		<u>384,456</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>384,456</u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	578,671
Safe and Drug Free Schools and Communities - State Grants	84.186	19,794
Twenty-first century community learning centers	84.287	70,437
Innovative Education Program Strategies	84.298	9,126
Class Size Reduction	84.340	115,348
Rural Education Achievement Programs	84.358	34,397
		<u>827,773</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	169,860
Special Education - Preschool Grants	84.173	31,851
Total special education cluster		<u>201,711</u>
Total passed-through the MDE		<u>1,029,484</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,029,484</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$1,413,940</u>

Notes to Schedule

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

Schedule 2

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

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits	\$ 3,904,596	2,536,071	580,550	787,975
Other	1,473,262	126,655	201,083	1,145,524
Total	\$ 5,377,858	2,662,726	781,633	1,933,499
Total number of students *	695			
Cost per student	\$ 7,738	3,831	1,125	2,782

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

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

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

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE  
AND OTHER MATTERS

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

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

October 26, 2005  
Superintendent and School Board  
Mound Bayou Public School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2005, and have issued my report thereon dated October 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



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

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

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

October 26, 2005  
Superintendent and School Board  
Mound Bayou Public School District

Compliance

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

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

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

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters

in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



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

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

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

October 26, 2005  
Superintendent and School Board  
Mound Bayou Public School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Mound Bayou Public School District as of and for the year ended June 30, 2005, which collectively comprise Mound Bayou Public School District's basic financial statements and have issued my report thereon dated October 26, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$12,935.75 of classroom supply funds carried over from previous years.

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

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



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

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

## Mound Bayou Public School District

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

#### Section 1: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
  - a. Material weaknesses identified? No.
  - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section \_\_\_\_.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. Child Nutrition Cluster:  
CFDA # 10.553  
CFDA # 10.555
  - b. Title I Grants to Local Educational Agencies  
CFDA # 84.010
8. The dollar threshold used to distinguish between Type A and Type B programs: \$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.

#### Section 2: Findings Relating to the Financial Statements

The results of our tests did not disclose any findings related to the financial statements that are

required to be reported by Government Auditing Standards.

Section 3: Findings and Questioned Costs for Federal Awards

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

**Mound Bayou Public School District**  
201 Greene Street  
Mound Bayou, MS 38762  
**William Crockett- Superintendent**  
**Kellia Johnson- Business Manager**

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section \_\_.315(b) of OMB Circular A-133, the Mound Bayou Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

Finding Status

2004-1	Corrected
2004-2	Corrected