



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



**MONROE COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2005**

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

FINANCIAL AUDIT REPORT ..... 5

    Independent Auditor’s Report on the Basic Financial Statements and Supplemental Information .....7

MANAGEMENT’S DISCUSSION AND ANALYSIS .....9

FINANCIAL STATEMENTS .....17

    Statement of Net Assets.....19

    Statement of Activities.....20

    Balance Sheet - Governmental Funds .....21

    Reconciliation of Governmental Funds Balance Sheet to the Statements of Net Assets.....22

    Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....23

    Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in  
        Fund Balances to the Statement of Activities .....24

    Statement of Fiduciary Net Assets .....25

    Notes to Financial Statement .....26

REQUIRED SUPPLEMENTAL INFORMATION .....40

    Budgetary Comparison Schedule - General Fund .....42

    Budgetary Comparison Schedule – IDEA Part B94-142 Fund .....43

    Notes to the Required Supplementary Information .....44

SUPPLEMENTAL INFORMATION .....45

    Schedule of Expenditures of Federal Awards .....46

    Schedule of Instructional, Administrative, and Other Expenditures – Governmental Funds.....47

REPORTS ON COMPLIANCE AND INTERNAL CONTROL.....49

    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* .....51

    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 .....53

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....55

    Independent Auditor’s Report on Compliance with State Laws and Regulations .....57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....59

    Schedule of Findings and Questioned Costs .....61

AUDITEE’S CORRECTIVE ACTION PLAN .....63

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

# ***R. D. Miller & Company, LLC***

**Certified Public Accountants**

204 West Commerce Street

P O Box 182

Aberdeen, MS 39730

R. D. Miller, C.P.A.  
Greg Miller, C.P.A.

Phone 662/369-6414  
Fax 662/369-4774  
rdmcolc@msn.com

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

Superintendent and School Board  
Monroe County School District

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Monroe County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006, on our consideration of the Monroe County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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 consider in the assessing the results of our audit.

The Management's Discussion and Analysis on pages 9 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 40 through 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Member

American Institute of Certified Public Accountants \* Mississippi Society of Certified Public Accountants

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe 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, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*R. D. Miller and Company, LLC*

---

R. D. Miller and Company, LLC  
Certified Public Accountants

November 28, 2006

MONROE COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

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

The discussion and analysis of Monroe 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.

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.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,000,947 which represents a 10% increase from physical year ending 2004.
- General revenues account for \$13,902,066 in revenue, or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,137,246 or 18% of total revenues.
- The District had \$16,038,365 in expenses; only \$3,137,246 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$13,902,066 were adequate to provide for these programs.
- Among major funds, the General Fund had \$13,599,052 in revenues and \$12,499,314 in expenditures. The General Fund's fund balance increased \$821,966 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$236,337.
- Long-term debt decreased by \$255,000.

### 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). 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.

**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.

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.

**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.

**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.

**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.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133.

**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 \$11,419,788 as of June 30, 2005.

By far the largest portion of the District’s net assets (81%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The District’s financial position is a product of several financial transactions including the net result of activities, the acquisition and 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.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 6,737,057	\$ 5,749,206
Capital assets, net	<u>9,223,946</u>	<u>9,460,283</u>
<b>Total assets</b>	<u>15,961,003</u>	<u>15,209,489</u>
Current liabilities	455,142	197,582
Long-term debt outstanding	<u>4,086,072</u>	<u>4,593,066</u>
<b>Total liabilities</b>	<u>4,541,214</u>	<u>4,790,648</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	5,103,946	5,085,283
Restricted	2,911,197	2,635,066
Unrestricted	<u>3,404,645</u>	<u>2,698,492</u>
<b>Total net assets</b>	<u>\$11,419,788</u>	<u>\$10,418,841</u>

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

- The principal retirement of \$255,000 of long-term debt.

Changes in net assets. The District’s total revenues for the fiscal year ended June 30, 2005 were \$17,039,312. The total cost of all programs and services was \$16,038,365. 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	\$ 3,137,246	\$ 3,135,021
General revenues	<u>13,902,066</u>	<u>13,018,796</u>
<b>Total revenues</b>	<u>17,039,312</u>	<u>16,153,817</u>
<b>Expenses:</b>		
Instruction	10,210,396	9,835,966
Support services	4,550,904	4,228,340
Non-instructional	1,051,728	1,106,122
Sixteenth section	23,886	47,988
Interest on long-term liabilities	<u>201,451</u>	<u>214,482</u>
<b>Total expenses</b>	<u>16,038,365</u>	<u>15,432,898</u>
<b>Increase in net assets</b>	<u>\$ 1,000,947</u>	<u>\$ 720,919</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.

	2005		2004	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Instruction	\$10,210,396	\$( 8,663,936)	\$ 9,835,966	\$ (8,177,436)
Support services	4,550,904	( 4,108,787)	4,228,340	(3,773,406)
Non-instructional	1,051,728	56,639	1,106,122	( 88,695)
Sixteenth section	23,886	16,416	47,988	( 43,924)
Interest on long-term liabilities	201,451	( 201,451)	214,482	( 214,416)
<b>Total expenses</b>	<b>\$16,038,365</b>	<b>\$(12,901,119)</b>	<b>\$15,432,898</b>	<b>\$(12,297,877)</b>

Net cost of governmental activities (\$12,901,119), was financed by general revenue, which is made up of primarily property taxes \$2,754,263 and state revenue \$10,304,528.

Investment earnings accounted for \$105,461 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 \$6,617,689, an increase of \$979,420 due primarily to an increased level of state funding under the Mississippi Adequate Education Program. \$6,013,053 or 91% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$604,636 or 9% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$821,966 a result of an increased level of state funding under the Mississippi Adequate Education Program and increase in taxes. The fund balance of Other Governmental Funds showed an increase due primarily to additional federal revenue available from various federal programs.

#### BUDGETARY HIGHLIGHTS

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

Budget amounts for revenue from state sources was increased to full funding for Mississippi Adequate Education. The original budgeted amounts underestimated for potential cuts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets were \$15,233,984 including school buildings, busses, other school vehicles and furniture and equipment. This amount represents an increase of \$107,142 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$6,010,038 and total depreciation expense for the year was \$433,678, resulting in total net assets of \$9,223,946.

**Debt Administration.** At June 30, 2005, the District had \$4,120,000 in limited obligation bonds and other long-term debt outstanding, of which \$255,000 is due within one year.

The District maintains a AA bond rating.

## **CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The millage has decreased 1.95 mills over the last ten years. 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.

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

If you have questions about this report, contact the Superintendent's Office of the Monroe County School District, P. O. Box 209 Amory, MS 38821.

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

**Monroe County School District  
Statement of Net Assets  
June 30, 2005**

Exhibit A

	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	5,023,277
Due from other governments	461,473
Accrued interest receivable	11,686
Other receivables, net	2,454
Inventories and prepaid items	22,907
Restricted assets	1,215,259
Capital assets, net	9,223,946
<b>Total assets</b>	<b>15,961,002</b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	119,368
Interest payable on long-term liabilities	80,774
Long-term liabilities (Due within 1 year):	
Capital related liabilities	255,000
Long-term liabilities (Due beyond 1 year):	
Capital related liabilities	3,865,000
Non-capital related liabilities	221,072
<b>Total liabilities</b>	<b>4,541,214</b>
<b>Net Assets</b>	
Investment in capital assets (net of related debt)	5,103,946
Restricted net assets for:	
Expendable:	
School-based activities	1,072,849
Debt service	396,512
Forestry improvements	75,281
Unemployment benefits	43,621
Non-expendable:	
Sixteenth section	1,322,934
Unrestricted	3,404,645
<b>Total net assets</b>	<b>11,419,788</b>

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

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

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary Government:					
Governmental Activities:					
Instruction	10,210,396	444,630	1,101,830	0	(8,663,936)
Support services	4,550,904	0	442,117	0	(4,108,787)
Non-instructional	1,051,728	448,203	660,164	0	56,639
Sixteenth section	23,886	40,302	0	0	16,416
Interest and other expenses on long-term liabilities	201,451	0	0	0	(201,451)
<b>Total governmental activities</b>	<b>16,038,365</b>	<b>933,135</b>	<b>2,204,111</b>	<b>0</b>	<b>(12,901,119)</b>
General revenues:					
Taxes					
General purpose levies					2,669,168
Debt service levies					85,095
Unrestricted grants and contributions:					
State					10,304,528
Federal					280,411
Unrestricted investment earnings					105,461
Sixteenth section sources					344,221
Other					113,182
<b>Total General Revenues</b>					<b>13,902,066</b>
<b>Changes in net assets</b>					<b>1,000,947</b>
Net assets - beginning					10,418,841
Net assets - ending					11,419,788

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

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

Exhibit C

	(1120) - GENERAL FUND	(2610) - IDEA Part B94-142 Fund	(7211) - 16TH SECTION PRINCIPAL FUND	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	3,537,611	22,918	1,215,259	1,462,747	6,238,535
Due from other governments	212,540	13,184	0	235,749	461,473
Accrued interest receivable	8,453	0	3,233	0	11,686
Due from other funds	68,383	0	0	4,225	72,608
Advance to other funds	0	0	104,442	0	104,442
Inventories and prepaid items	0	0	0	22,907	22,907
<b>Total assets</b>	<b>3,826,987</b>	<b>36,102</b>	<b>1,322,934</b>	<b>1,725,628</b>	<b>6,911,651</b>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>					
Accounts Payable and accrued liabilities	96,828	4,926	0	17,613	119,367
Due to other funds	0	31,176	0	38,978	70,154
Advances from other funds	104,442	0	0	0	104,442
<b>Total liabilities</b>	<b>201,270</b>	<b>36,102</b>	<b>0</b>	<b>56,591</b>	<b>293,963</b>

**Fund Balances:**

Reserve for:					
Advances	0	0	104,442	0	104,442
Inventories	0	0	0	22,907	22,907
Debt service funds	0	0	0	477,287	477,287
Forestry Improvements	0	0	0	75,281	75,281
Unemployment Benefits	0	0	0	43,621	43,621
Unreserved:					
Undesignated, reported in:					
General fund	3,625,717	0	0	0	3,625,717
Special revenue funds	0	0	0	1,049,941	1,049,941
Permanent funds	0	0	1,218,492	0	1,218,492
<b>Total fund balances</b>	<b>3,625,717</b>	<b>0</b>	<b>1,322,934</b>	<b>1,669,037</b>	<b>6,617,688</b>
<b>Total liabilities and fund balances</b>	<b>3,826,987</b>	<b>36,102</b>	<b>1,322,934</b>	<b>1,725,628</b>	<b>6,911,651</b>

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

**Monroe County School District**  
**Reconciliation of the Governmental Funds Balance to the Statements of Net Activities**  
**June 30, 2005**

Exhibit C-1

	Amount
<b>Total fund balance - governmental funds</b>	6,617,688
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$6,010,038.	9,223,946
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(4,341,072)
Governmental funds recognize interest on long-term debt when it becomes Due, however the Statement of Net Assets recognizes interest as it accrues.	(80,774)
<b>Total net assets - governmental activities</b>	<b>11,419,788</b>

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

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

Exhibit D

	(1120) - GENERAL FUND	(2610) - IDEA PART B94-142 FUND	(7211) - 16TH SECTION PRINCIPAL FUND	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	3,229,103	0	0	599,473	3,828,576
State sources	10,089,266	0	0	857,424	10,946,690
Federal sources	280,683	373,177	0	1,188,292	1,842,152
Sixteenth section sources	0	0	47,708	366,882	414,590
<b>Total revenues</b>	<b>13,599,052</b>	<b>373,177</b>	<b>47,708</b>	<b>3,012,071</b>	<b>17,032,008</b>
<b>Expenditures</b>					
Instruction	8,568,850	179,595	0	1,236,971	9,985,416
Support services	3,886,575	193,582	0	453,662	4,533,819
Non-instructional services	1,861	0	0	1,026,899	1,028,760
Sixteenth section	0	0	0	23,885	23,885
Facilities acquisition and construction	37,516	0	0	0	37,516
Debt service	0	0	0	255,000	255,000
Principal	4,512	0	0	202,079	206,591
Interest	0	0	0	730	730
Other	0	0	0	0	0
<b>Total expenditures</b>	<b>12,499,314</b>	<b>373,177</b>	<b>0</b>	<b>3,199,226</b>	<b>16,071,717</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,099,738</b>	<b>0</b>	<b>47,708</b>	<b>(187,155)</b>	<b>960,291</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	2,069	0	0	0	2,069
Sale of transportation equipment	15,050	0	0	0	15,050
Sale of other property	1,432	0	0	53	1,485
Operating transfers in	1,756,196	0	0	662,103	2,418,299
Operating transfers out	(2,051,019)	0	(23,550)	(343,730)	(2,418,299)
Other financing uses	(1,500)	0	0	0	(1,500)
<b>Total other financing sources (uses)</b>	<b>(277,772)</b>	<b>0</b>	<b>(23,550)</b>	<b>318,426</b>	<b>17,104</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>821,966</b>	<b>0</b>	<b>24,158</b>	<b>131,271</b>	<b>977,395</b>
Fund Balances:					
July 1, 2004	2,803,751	0	1,298,776	1,535,741	5,638,268
Increase (Decrease) in reserve for inventory	0	0	0	2,026	2,026
June 30, 2005	3,625,717	0	1,322,934	1,669,038	6,617,688

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

**Monroe County School District**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2005**

Exhibit D-1

	Amount
<b>Net change in fund balances - governmental funds</b>	977,395
 Amounts reported for governmental activities in the statement of activities are different because:	
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 \$207,363 and the depreciation expense amounted to \$433,678.	(226,315)
Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	255,000
Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated Absences	(3,006)
Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	5,870
Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(15,050)
Gains and losses on sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities.	5,027
Increases or decreases in reserve for inventory directly affects fund balance in the fund statements, but is adjusted through expenses in the Statement of Activities.	2,026
<b>Change in net assets of governmental activities</b>	<b>1,000,947</b>

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

**Monroe County School District  
Statement of Fiduciary Net Assets  
For the Year Ended June 30, 2005**

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>142,201</u>
<b>Total assets</b>	<u>142,201</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	54,181
Due to other funds	2,454
Due to student clubs	<u>85,566</u>
<b>Total liabilities</b>	<u>142,201</u>

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

## MONROE 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 5 member board which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

## MONROE COUNTY SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

**IDEA Part B94-142 Fund** - This fund is the federally funded program for services to special education students within the school district.

**16<sup>th</sup> Section Principal Fund** - This is the school district's 16<sup>th</sup> section principal fund. This principal is restricted and only earnings may be spent to support the districts programs.

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

## MONROE COUNTY SCHOOL DISTRICT

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

#### 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 in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

The 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.

**MONROE COUNTY SCHOOL DISTRICT**

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

**I. Capital Assets.**

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

**J. Long-term liabilities.**

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. 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 5 for details.

**K. Interfund Transactions and Balances.**

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

## MONROE COUNTY SCHOOL DISTRICT

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

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

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

#### L. Equity Classification.

##### *Government-wide Financial Statements:*

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

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

##### *Fund Financial Statements:*

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

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

Reserved for advances – An account used to offset advances recorded in the assets accounts since they do not constitute available spendable resources and are not a component of net current assets

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

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

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

**MONROE COUNTY SCHOOL DISTRICT**

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

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

**M. Property Taxes.**

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

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

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

**O. Compensated Absences.**

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

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

**P. Other Significant Accounting Policies.**

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the county and are not included in the government-wide financial statements of the school district. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of school district related debt.

**MONROE COUNTY SCHOOL DISTRICT**

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

(2) Changes in Accounting Standards

As required, the School District has implemented Government Accounting Standard 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.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 6,238,535 and \$ 142,201, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$ 5,023,277 and Restricted Assets \$ 1,215,259. The Restricted assets represent 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 support the districts' programs. The bank balance is 11,136,780.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, none of the district's bank balance of \$11,136,780 was exposed to custodial credit risk.

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 68,383	0
EHA, Part B Fund	0	31,176
Other Governmental funds	4,225	38,978
Fiduciary funds	0	2,454
Total Funds	<u>\$ 72,608</u>	<u>72,608</u>

The Due From/To Other Funds balances are due to timing differences with availability of federal funds.

**MONROE COUNTY SCHOOL DISTRICT**

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

**B. Advances To/From Other Funds:**

	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General fund	\$ 0	104,442
16 <sup>th</sup> section principal fund	104,442	0
Other governmental funds	0	0
Fiduciary funds	0	0
Total Funds	<u>\$ 104,442</u>	<u>104,442</u>

Note: The sixteenth section principal loans payable is not reflected on the statement of net assets because these funds were borrowed by the General Fund from the sixteenth section trust fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 8,699	4,178	12,877
2007	9,047	3,830	12,877
2008	9,409	3,468	12,877
2009	9,785	3,092	12,877
2010	10,177	2,700	12,877
2011 – 2015	57,325	7,058	64,383
Total	<u>\$ 104,442</u>	<u>24,326</u>	<u>128,768</u>

**C. Transfers In/Out.**

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 1,756,196	2,051,019
16 <sup>th</sup> Section principal fund		23,550
Other Governmental funds	662,103	343,730
Total Funds	<u>\$ 2,418,299</u>	<u>2,418,299</u>

Transfers in and out were for year-end closing entries, indirect cost, and year-end posting errors.

**MONROE 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 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 473,498					473,498
Construction in progress						0
Total non-depreciable capital assets	<u>473,498</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>473,498</u>
<u>Depreciable capital assets:</u>						
Buildings	11,514,672					11,514,672
Building improvements	169,117					169,117
Improvements other than buildings	645,071					645,071
Mobile equipment	1,947,173	140,001	100,221			1,986,953
Furniture and equipment	377,311	67,362				444,673
Leased property under capital leases						0
Total depreciable capital Assets	<u>14,653,344</u>	<u>207,363</u>	<u>100,221</u>	<u>0</u>	<u>0</u>	<u>14,760,486</u>
<u>Less accumulated depreciation for:</u>						
Buildings	4,381,599	213,566				4,595,165
Building improvements	13,530	6,764				20,294
Improvements other than buildings	102,152	17,228				119,380
Mobile equipment	964,859	136,372	90,199			1,011,032
Furniture and equipment	204,419	59,748				264,167
Leased property under capital leases						0
Total accumulated depreciation	<u>5,666,559</u>	<u>433,678</u>	<u>90,199</u>	<u>0</u>	<u>0</u>	<u>6,010,038</u>
Total depreciable capital assets, net	<u>8,986,785</u>	<u>(226,315)</u>	<u>10,022</u>	<u>0</u>		<u>8,750,448</u>
Governmental activities capital assets, net	\$ <u>9,460,283</u>	<u>(226,315)</u>	<u>10,022</u>	<u>0</u>		<u>9,223,946</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 257,932
Support services	149,475
Non-instructional	<u>26,271</u>
Total depreciation expense	\$ <u>433,678</u>

**MONROE COUNTY SCHOOL DISTRICT**

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

(6) Long-term liabilities.

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

	<u>Balance</u> <u>7-1-2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6-30-2005</u>	<u>Amounts due</u> <u>within one</u> <u>year</u>
A. Limited obligation bonds payable	\$ 3,850,000		180,000		3,670,000	190,000
B. Three mill notes payable	525,000		75,000		450,000	65,000
C. Compensated absences payable	218,066	3,006			221,072	
Total	\$ 4,593,066	3,006	255,000	0	4,341,072	255,000

A. 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:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital Improvement series 1998	Varies	02-01-98	02-01-18	\$ 4,520,000	3,670,000
Total				\$ 4,520,000	3,670,000

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 190,000	165,773	355,773
2007	195,000	156,063	351,063
2008	205,000	146,863	351,863
2009	220,000	137,088	357,088
2010	230,000	126,739	356,739
2011 - 2015	1,320,000	461,057	1,781,057
2016 - 2020	1,310,000	116,552	1,426,552
Total	\$ 3,670,000	1,310,135	4,980,135

**MONROE COUNTY SCHOOL DISTRICT**

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

The state aid capital improvement 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 retirement fund.

**B. Three mill notes payable.**

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>
Series 2000 notes	5.36%	07-15-2000	07-15-2010	\$ 850,000	450,000
<b>Total</b>				<b>\$ 850,000</b>	<b>450,000</b>

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	\$ 65,000	22,378	87,378
2007	70,000	18,760	88,760
2008	75,000	14,874	89,874
2009	75,000	10,854	85,854
2010	80,000	6,700	86,700
2011 - 2015	85,000	2,278	87,278
<b>Total</b>	<b>\$ 450,000</b>	<b>75,844</b>	<b>525,844</b>

This debt will be retired from the EEF building/buses fund and debt service fund respectively.

**C. Compensated absences payable.**

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

**MONROE COUNTY SCHOOL DISTRICT**

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

(7) Defined Benefit Pension Plan.

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public 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 \$1,008,918, \$885,888 and \$830,454, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Operating leases:

The school district has an operating lease for copiers.

Lease expenditures for the year ended June 30, 2005, amounted to \$ 21,066. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2006	\$ 22,233
2007	23,622
2008	23,622
2009	23,622
2010	7,372
<b>Total</b>	<b>\$ 100,471</b>

(9) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising there from as trust property.

**MONROE COUNTY SCHOOL DISTRICT**

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

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2006	\$ 83,762
2007	57,495
2008	23,445
2009	20,681
2010	20,681
2011-2015	46,210
2016-2020	16,726
2021-2025	12,025
2026-2030	<u>10,103</u>
Total	<u>\$ 291,128</u>

(10) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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.

(11) Uncertainties.

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts which share townships with Monroe County School District nor the Monroe County School District itself filed lists of children as required, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships Monroe County School District shares with other school districts, Monroe County School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) Monroe County School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the sixteenth section property, Monroe County School District may be entitled to a portion of the sixteenth section revenues the other school district received. Because none of the school districts complied and filed list of children as state law requires in either the current year or in preceding years, neither the amounts of any liabilities owed to others school districts nor the amounts of any receivables from other school districts can be determined.

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

**Monroe County School District  
Budgetary Comparison Schedule  
(1120) - GENERAL FUND  
For the Year Ended June 30, 2005**

Schedule 1-a

	Budgeted Amounts		Actual (GAAP Basis)	Variance Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	3,202,192	3,229,104	3,229,103	26,912	(1)
Intermediate sources	0	0	0	0	0
State sources	9,930,305	10,089,265	10,089,266	158,960	1
Federal sources	166,172	280,683	280,683	114,511	0
<b>Total revenues</b>	<b>13,298,669</b>	<b>13,599,052</b>	<b>13,599,052</b>	<b>300,383</b>	<b>0</b>
<b>Expenditures:</b>					
Instruction	8,710,229	8,580,850	8,568,850	129,379	12,000
Support services	4,995,793	3,921,575	3,886,575	1,074,218	35,000
Non-instructional services	1,204	1,861	1,861	(657)	0
Facilities acquisition and construction	0	37,516	37,516	(37,516)	0
Debt service:					
Principal	8,365	0	0	8,365	0
Interest	4,512	4,512	4,512	0	0
<b>Total expenditures</b>	<b>13,720,103</b>	<b>12,546,314</b>	<b>12,499,314</b>	<b>1,173,789</b>	<b>47,000</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(421,434)</b>	<b>1,052,738</b>	<b>1,099,738</b>	<b>1,474,172</b>	<b>47,000</b>
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	0	2,069	2,069	2,069	0
Sale of transportation equipment	0	15,050	15,050	15,050	0
Sale of other property	0	1,432	1,432	1,432	0
Operating transfers in	1,791,591	1,756,196	1,756,196	(35,395)	0
Operating transfers out	(2,182,235)	(2,051,019)	(2,051,019)	131,216	0
Other financing uses	0	(1,500)	(1,500)	(1,500)	0
<b>Total other financing sources (uses)</b>	<b>(390,644)</b>	<b>(277,772)</b>	<b>(277,772)</b>	<b>112,872</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(812,078)</b>	<b>774,966</b>	<b>821,966</b>	<b>1,587,044</b>	<b>47,000</b>
<b>Fund Balances:</b>					
July 1, 2004	2,803,751	2,803,751	2,803,751	0	0
June 30, 2005	1,991,673	3,578,717	3,625,717	1,587,044	47,000

**Monroe County School District  
 Budgetary Comparison Schedule  
 (2610) – IDEA PART B94-142 FUND  
 For the Year Ended June 30, 2005**

Schedule 1-b

	Budgeted Amounts		Actual (GAAP Basis)	Variance	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	0	0	0	0	0
Intermediate sources	0	0	0	0	0
State sources	0	0	0	0	0
Federal sources	747,790	373,177	373,177	(374,613)	0
Sixteenth section sources	0	0	0	0	0
<b>Total revenues</b>	<b>747,790</b>	<b>373,177</b>	<b>373,177</b>	<b>(374,613)</b>	<b>0</b>
<b>Expenditures:</b>					
Instruction	610,404	179,594	179,595	430,810	1
Support services	137,386	193,583	193,582	(56,197)	(1)
Non-instructional services	0	0	0	0	0
Sixteenth section	0	0	0	0	0
Facilities acquisition and construction	0	0	0	0	0
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Advance refunding escrow	0	0	0	0	0
Other	0	0	0	0	0
<b>Total expenditures</b>	<b>747,790</b>	<b>373,177</b>	<b>373,177</b>	<b>374,613</b>	<b>0</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>					
Other financing uses	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balances:</b>					
July 1, 2004	0	0	0	0	0
June 30, 2005	0	0	0	0	0

MONROE COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

MONROE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

MONROE COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	\$ 70,284
Child nutrition cluster:		
School breakfast program	10.553	196,362
National school lunch program	10.555	444,972
Total child nutrition cluster		<u>641,334</u>
Total U.S. Department of Agriculture		<u>711,618</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	116,122
Total Federal Communications Commission		<u>116,122</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	271,157
Vocational education - basic grants to states	84.048	50,690
Safe and drug-free schools and communities - state grants	84.186	14,052
Innovative education program strategies	84.298	25,582
Education technology state grants	84.318	6,528
Improving teacher quality - state grants	84.367	74,457
Total		<u>442,466</u>
Special education cluster:		
Special education - grants to states	84.027	373,177
Special education - preschool grants	84.173	25,824
Total		<u>399,001</u>
Total passed-through Mississippi Department of Education		<u>841,467</u>
Total U.S. Department of Education		<u>841,467</u>
Total for All Federal Awards		<u>\$ 1,669,207</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 statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Monroe County 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	12,586,927	9,231,678	1,101,958	2,253,292
Other	<u>3,484,790</u>	<u>753,738</u>	<u>360,420</u>	<u>2,370,632</u>
Total	<u>16,071,717</u>	<u>9,985,416</u>	<u>1,462,378</u>	<u>4,623,924</u>
Total number of students*	<u>2,490</u>	<u>2,490</u>	<u>2,490</u>	<u>2,490</u>
Cost per student	<u>6,455</u>	<u>4,010</u>	<u>587</u>	<u>1,857</u>

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

Instruction – includes the activities dealing directly with the interaction between teacher 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.

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

# ***R. D. Miller & Company, LLC***

**Certified Public Accountants**

204 West Commerce Street

P O Box 182

Aberdeen, MS 39730

R. D. Miller, C.P.A.

Greg Miller, C.P.A.

Phone 662/369-6414

Fax 662/369-4774

rdmcolic@msn.com

**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***

November 28, 2006

Superintendent and School Board  
Monroe County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Monroe County School District as of and for the year ended June 30, 2005, which collectively comprise the Monroe County School District's basic financial statements and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the school district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Member

American Institute of Certified Public Accountants \* Mississippi Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters 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.

*R. D. Miller and Company, LLC*

---

R. D. Miller and Company, LLC  
Certified Public Accountants

November 28, 2006

# ***R. D. Miller & Company, LLC***

Certified Public Accountants

204 West Commerce Street

P O Box 182

Aberdeen, MS 39730

R. D. Miller, C.P.A.

Greg Miller, C.P.A.

Phone 662/369-6414

Fax 662/369-4774

rdmcollc@msn.com

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

Superintendent and School Board  
Monroe County School District

### Compliance

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

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

In our opinion, Monroe 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.

Member

American Institute of Certified Public Accountants \* Mississippi Society of Certified Public Accountants

### Internal Control Over Compliance

The management of the Monroe 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 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 did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

*R. D. Miller and Company, LLC*

---

R. D. Miller and Company, LLC  
Certified Public Accountants

November 28, 2006

**MONROE COUNTY SCHOOL DISTRICT**

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

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

# ***R. D. Miller & Company, LLC***

Certified Public Accountants

204 West Commerce Street

P O Box 182

Aberdeen, MS 39730

R. D. Miller, C.P.A.

Greg Miller, C.P.A.

Phone 662/369-6414

Fax 662/369-4774

rdmcolc@msn.com

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

Superintendent and School Board  
Monroe County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Monroe County School District as of and for the year ended June 30, 2005, which collectively comprise Monroe County School District's basic financial statements and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$ 113,356 of classroom supply funds carried over from previous years.

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

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

***R. D. Miller and Company, LLC***

---

R. D. Miller and Company, LLC  
Certified Public Accountants

November 28, 2006

Member

American Institute of Certified Public Accountants \* Mississippi Society of Certified Public Accountants

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)

MONROE COUNTY 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 weakness identified?  | No          |
| b. | Reportable condition 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 weakness identified?   | No          |
| b.  | Reportable condition identified that are not considered to be material weaknesses?  | No          |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?   | No          |
| 7.  | Federal programs identified as major programs:  |             |
| a.  | Cluster: Special education cluster:<br>CFDA # 84.027<br>CFDA # 84.173   |             |
| b.  | Universal Service Administrative Company<br>The schools and libraries program of the universal service fund<br>CFDA #32.XXX   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | 300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes         |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No          |

MONROE COUNTY SCHOOL DISTRICT

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

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 Questioned Costs

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

MONROE COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN AND / SUMMARY OF PRIOR AUDIT FINDINGS

MONROE COUNTY SCHOOL DISTRICT

(This page left blank intentionally)