



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.

North Bolivar School District

**Audited Financial Statements
June 30, 2005**

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

**North Bolivar School District
TABLE OF CONTENTS**

	PAGE #
FINANCIAL AUDIT REPORT	
Independent Auditor's Report on the Basic Financial Statements Accompanied By Required Supplementary Information and Supplementary Information	5
Management's Discussion and Analysis	8
FINANCIAL STATEMENTS	
Exhibit A-Government-Wide Statement of Net Assets	16
Exhibit B-Government-Wide Statement of Activities	17
Exhibit C-Balance Sheet, Governmental Funds	18
Exhibit C-1-Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	19
Exhibit D-Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds	20
Exhibit D-1-Reconciliation of the Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances to the Statement of Activities ...	21
Exhibit E-Statement of Net Assets- Fiduciary Funds	22
Notes to the Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	38
Notes to the Required Supplementary Information	40
SUPPLEMENTAL INFORMATION	
Schedule 1 - Schedule of Expenditures of Federal Awards	42
Schedule 2 - Schedule of Instructional, Administrative, and other Expenditures-Governmental Funds	43
INTERNAL CONTROL AND COMPLIANCE REPORTS	
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"	47
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	48
Independent Auditor's Report on Compliance with State Laws and Regulations	50
FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP	
Schedule of Findings and Questioned Costs	52
Summary Schedule of Prior Year Audit Findings	53

FINANCIAL AUDIT REPORT

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

January 5, 2006
Superintendent and School Board
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2005, which collectively comprise the North Bolivar School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Bolivar 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 North Bolivar 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 January 5, 2006 on my consideration of the North Bolivar School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of North Bolivar 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 B *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 \$674,316, during the 2005 fiscal year, which represents a 2% increase from fiscal year 2004.
- General revenues account for \$6,410,773. This amount was greater than the general revenues for the year 2004, which consisted of \$6,112,306, or 73.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,815,277 or 22.1% of total revenues compared to \$2,254,495 in 2004.
- The district had \$7,551,733 in expenses, amount that decreased when compared with the \$7,932,636 in expenses for the prior year; only \$1,815,277 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$6,410,773 were adequate to provide for these programs.
- Among major funds, the General Fund had \$5,107,297 in revenues and \$4,483,251 in expenditures. In 2004 the General Fund had \$4,916,753 in revenues and \$4,609,927 in expenditures. The General Fund's fund balance increased by \$454,231 due primarily to an increase in revenues from state and federal sources.
- Capital assets, net of accumulated depreciation, decreased by \$46,083 due to accumulated depreciation recorded during the year..
- Long-term debt decreased by \$188,055.

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 19 and 21, 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 20 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 22.

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 24-37 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 page 39 of this report.

Additionally, a new schedule of instructional, administrative, and other expenditures-governmental funds is included after the schedule of expenditures of federal awards, required by OMB Cir. A-133. These schedules can be found on pages 44 and 45 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 \$1,083,805 as of June 30, 2005.

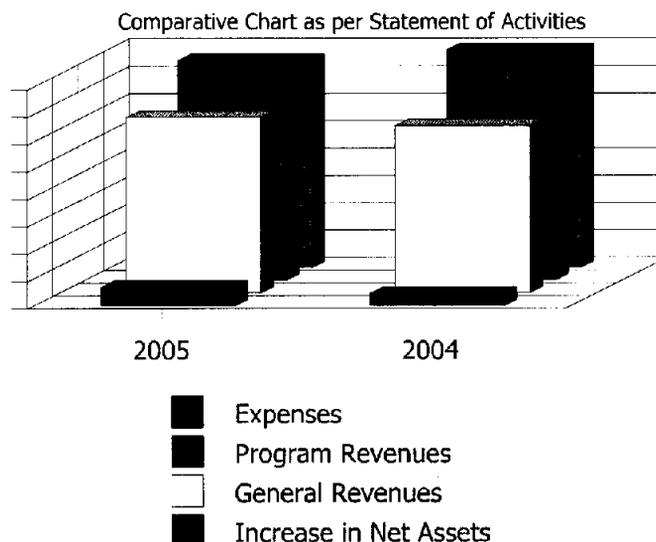
The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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>
Current assets	\$ 2,599,036	\$ 1,984,723
Capital assets, net	<u>1,319,160</u>	<u>1,365,243</u>
Total assets	<u>3,918,196</u>	<u>3,349,966</u>
Current liabilities	631,290	383,907
Long-term debt outstanding	<u>2,203,101</u>	<u>2,556,570</u>
Total liabilities	<u>2,834,391</u>	<u>2,940,477</u>
Net assets:		
Invested in capital assets, net of related debt	(380,840)	(419,756)
Restricted	1,073,338	1,085,763
Unrestricted	<u>391,307</u>	<u>(256,518)</u>
Total net assets	<u>\$ 1,083,805</u>	<u>\$ 409,489</u>

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$8,266,050. The total cost of all programs and services was \$7,551,733. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

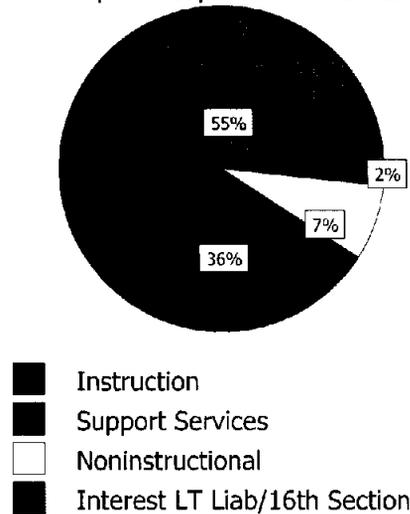
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 1,815,277	\$ 2,254,495
General revenues	<u>6,410,773</u>	<u>6,112,306</u>
Total revenues	<u>\$ 8,226,050</u>	<u>8,366,801</u>
Expenses:		
Instruction	4,123,826	4,249,206
Support services	2,753,075	2,979,896
Non-instructional	554,702	577,476
Sixteenth section	17,543	16,117
Interest on long-term liabilities	<u>102,587</u>	<u>109,971</u>
Total expenses	<u>7,551,733</u>	<u>7,932,636</u>
Increase in net assets	<u>\$ 674,316</u>	<u>\$ 434,165</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.

	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 4,123,826	\$ (3,907,860)
Support services	2,753,075	(1,640,896)
Non-instructional	554,702	(67,570)
Sixteenth section	17,543	(17,543)
Interest on long-term liabilities	<u>102,587</u>	<u>(102,587)</u>
Total expenses	<u>\$ 7,551,733</u>	<u>\$ (5,736,456)</u>

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities \$(5,736,456), was financed by general revenue, which is made up of primarily property taxes \$823,203 and state revenue \$4,384,891.
- Federal revenues accounted for \$845,906 of funding.
- Investment earnings accounted for \$41,244 of funding.

FINANCIAL ANALYSIS OF THE DISTRICTS 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 \$2,170,616, an increase of \$525,913. \$2,161,802 or 99.6% 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 \$8,814 or .4% 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 \$454,231. The fund balance of Other Governmental Funds showed a decrease of \$(41,618).

There is one other major fund. The fund balance for the Sixteenth Section Interest Fund showed an increase in fund balance of \$113,300.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources was reduced during the year because of disbursements made by the State of Mississippi.
- Expenditures were decreased by the District in salary, supplies, and services in order to eliminate a deficit balance on the District's Statement of Net Assets at the beginning of the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, and the Sixteenth Section Interest 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 \$2,393,248, including land, school buildings, buses, other school vehicles, and furniture and equipment. This amount represents no change from the previous year. Total accumulated depreciation as of June 30, 2005 was \$1,074,088 and total depreciation expense for the year was \$46,083, resulting in total net assets of \$1,319,160.

Additional information of the District's capital assets can be found in Note 4 on page 31 of this report.

Debt Administration. At June 30, 2005, the District had \$0 in general obligation bonds outstanding and \$2,362,477 in other long-term debt outstanding, of which \$162,093 is due within one year.

The District maintains an AA bond rating.

Additional information of the District's long-term debt can be found in Note 5 on page 32 of this report.

CURRENT ISSUES

The North Bolivar School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. They have worked to maintain a low tax millage.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Bolivar School District, P.O. Box 28, Shelby, MS 38774.

FINANCIAL STATEMENTS

NORTH BOLIVAR SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
ASSETS	
<i>Cash and cash equivalents</i>	\$ 2,321,649
<i>Cash with fiscal agents</i>	5,014
<i>Investments</i>	47,801
<i>Due from other governments</i>	215,683
<i>Inventories and prepaid items</i>	8,814
<i>Restricted assets</i>	75
<i>Capital assets, net</i>	1,319,160
<i>Total Assets</i>	<u>3,918,196</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	153,608
<i>Due to other governments</i>	274,812
<i>Interest payable on long-term liabilities</i>	37,456
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	90,000
<i>Non-capital related liabilities</i>	75,414
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,610,000
<i>Non-capital related liabilities</i>	593,101
Total Liabilities	<u>2,834,391</u>
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	(380,840)
Restricted For:	
<i>School - based activities</i>	683,311
<i>Capital improvements</i>	228,963
<i>Debt service</i>	137,814
<i>Unemployment benefits</i>	18,236
<i>Sixteenth section</i>	
<i>Expendable</i>	140
<i>Nonexpendable</i>	4,874
<i>Unrestricted</i>	391,307
Total Net Assets	<u>\$ 1,083,805</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government					
Governmental Activities:					
Instruction	4,123,826	48,357	127,980	39,629	(3,907,860)
Support services	2,753,075	--	1,112,179	--	(1,640,896)
Noninstructional	554,702	17,577	489,555	--	(67,570)
Sixteenth section	17,543	--	--	--	(17,543)
Interest on long-term liabilities	102,587	--	--	--	(102,587)
Total Primary Government	<u>\$ 7,551,733</u>	<u>\$ 65,934</u>	<u>\$ 1,709,714</u>	<u>\$ 39,629</u>	<u>(5,738,456)</u>
General Revenues:					
Taxes:					
General purpose levies					792,379
Debt purpose levies					30,824
Unrestricted grants and contributions:					
State					4,384,891
Federal					845,906
Unrestricted investment earnings					41,243
Sixteenth section sources					130,883
Other					184,646
Total general revenues					<u>6,410,772</u>
Change in Net Assets					<u>674,316</u>
Net Assets - Beginning					<u>409,489</u>
Net Assets - Ending					<u>\$ 1,083,805</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
<i>Cash and cash equivalents</i>	\$ 1,132,724	\$ 317,437	\$ 871,488	\$ 2,321,649
<i>Cash with fiscal agents</i>	--	--	5,089	5,089
<i>Investments</i>	--	--	47,801	47,801
<i>Due from other governments</i>	45,697	23	169,963	215,683
<i>Due from other funds</i>	66,516	--	--	66,516
<i>Inventories and prepaid items</i>	--	--	8,814	8,814
Total Assets	\$ 1,244,937	\$ 317,460	\$ 1,103,155	\$ 2,665,552
LIABILITIES AND FUND BALANCE				
Liabilities:				
<i>Accounts payable and accrued liabilities</i>	\$ 51,851	\$ 17,543	\$ 84,214	\$ 153,608
<i>Due to other funds</i>	199,676	--	141,652	341,328
Total Liabilities	251,527	17,543	225,866	494,936
Fund balances:				
Reserved For:				
<i>Inventory</i>	--	--	8,814	8,814
Unreserved, undesignated, reported in:				
<i>General fund</i>	993,410	--	--	993,410
<i>Special Revenue funds</i>	--	299,917	496,684	796,601
<i>Capital Projects funds</i>	--	--	228,963	228,963
<i>Debt Service funds</i>	--	--	137,814	137,814
<i>Permanent funds</i>	--	--	5,014	5,014
Total Fund Balances	993,410	299,917	877,289	2,170,616
Total Liabilities and Fund Balances	\$ 1,244,937	\$ 317,460	\$ 1,103,155	\$ 2,665,552

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR 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	\$ 2,170,616
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.	1,319,160
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,700,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(37,456)
Payables for notes which are not due in the current period are not reported in the funds.	(465,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(66,414)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(137,101)
Net assets of governmental activities - statement of net assets	<u>\$ 1,083,805</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Sixteenth Section Interest Funds	Other Governmental Funds	Total Governmental Funds
Revenue:				
Local sources	\$ 1,000,755	\$ --	\$ 114,272	\$ 1,115,027
State sources	4,106,542	--	397,772	4,504,314
Federal sources	--	--	2,475,826	2,475,826
Sixteenth section sources	--	130,843	40	130,883
Total revenues	<u>5,107,297</u>	<u>130,843</u>	<u>2,987,910</u>	<u>8,226,050</u>
Expenditures:				
Instruction	2,549,312	--	1,466,050	4,015,362
Support services	1,802,798	--	930,046	2,732,844
Noninstructional services	70,048	--	487,459	557,507
Sixteenth section	--	17,543	--	17,543
Facilities acquisition and construction	--	--	77,680	77,680
Debt service:				
Principal	61,093	--	238,108	299,201
Total expenditures	<u>4,483,251</u>	<u>17,543</u>	<u>3,199,343</u>	<u>7,700,137</u>
Excess (deficiency) of revenues (over) expenditures	624,046	113,300	(211,433)	525,913
Other financing sources (uses):				
Operating transfers in	167,700	--	223,087	390,787
Operating transfers out	(337,515)	--	(53,272)	(390,787)
Total other financing sources (uses)	<u>(169,815)</u>	<u>--</u>	<u>169,815</u>	<u>--</u>
Net change in fund balance	454,231	113,300	(41,618)	525,913
Fund Balances:				
July 1, 2004	539,179	186,617	914,997	1,640,793
Increase (decrease) in reserve for inventory	--	--	3,910	3,910
June 30, 2005	<u>\$ 993,410</u>	<u>\$ 299,917</u>	<u>\$ 877,289</u>	<u>\$ 2,170,616</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR 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	\$ 525,913
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(46,083)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	194,093
(Increase) decrease in accrued interest from beginning of period to end of period	2,521
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(6,038)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 670,406</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency Funds
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 169
<i>Due from other funds</i>	274,812
Total Assets	\$ 274,981
LIABILITIES	
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	\$ 274,981
Total Liabilities	\$ 274,981

The accompanying notes are an integral part of this statement.

(THIS PAGE LEFT BLANK INTENTIONALLY)

North Bolivar School District

Notes to the Financial Statements
June 30, 2005

North Bolivar School District

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

(1) Summary of Significant Accounting Policies.

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board where each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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.

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-

North Bolivar School District

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

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.

Sixteenth Section Interest Fund- This fund accounts for the financial resources used for and by sixteenth section interest.

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.

North Bolivar School District

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

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.

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand 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

North Bolivar School District

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

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.

	<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 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

North Bolivar School District

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

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 restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that is 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:

North Bolivar School District

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

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 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.

North Bolivar School District

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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 governmental and fiduciary funds was \$2,326,738, and \$169 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$2,321,649. The bank balance was \$2,690,706.

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 \$2,690,706 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,089.

Investments.

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, \$47,801 of the district's bank balance was exposed to custodial credit risk as follows:

North Bolivar School District

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

Uninsured and uncollateralized	0
Uninsured and collateral held by pledging bank's trust department not in the district's name	<u>47,801</u>
Total	<u>\$47,801</u>

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
US Treasury Bills	<u>47,801</u>	100%
	<u>47,801</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Major funds:	<u>Due From</u>	<u>Due To</u>
General Fund	\$66,516	\$199,676
Non-major Funds:	0	141,652
Agency funds:	<u>274,812</u>	<u>0</u>
Total Funds	<u>\$341,328</u>	<u>\$ 341,328</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

Major funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$167,700	\$337,515
Non-major Funds:	<u>223,087</u>	<u>53,272</u>
Total Funds	<u>\$390,787</u>	<u>\$390,787</u>

North Bolivar School District

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

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:

	Balance 7-01-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 37,691	0	0	0	0	37,691
Construction in progress	0	0	0	0	0	0
Total non-depreciable capital assets	37,691	0	0	0	0	37,691
<u>Depreciable capital assets:</u>						
Buildings	1,669,152	0	0	0	0	1,669,152
Mobile equipment	510,055	0	0	0	0	510,055
Furniture and equipment	176,350	0	0	0	0	176,350
Total depreciable capital assets	2,355,557	0	0	0	0	2,355,557
<u>Less accumulated depreciation for:</u>						
Buildings	580,337	24,746	0	0	0	605,083
Mobile equipment	283,376	20,232	0	0	0	303,608
Furniture and equipment	164,292	1,105	0	0	0	165,397
Total accumulated depreciation	1,028,005	46,083	0	0	0	1,074,088
Total depreciable capital assets, net	1,327,552	(46,083)	0	0	0	1,281,469
Governmental activities capital assets, net	\$ 1,365,243	(46,083)	0	0	0	1,319,160

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 24,746
Support Services	20,232
Non-Instructional	<u>1,105</u>
Total depreciation expense	\$ 46,083

(5) Long-term Liabilities and Other Obligations.

North Bolivar School District

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

obligations for governmental activities:

	Balance				Amounts due	
					Balance	within one
	7-01-2004	Additions	Reductions	Adjustments	6-30-2005	year
A. Limited obligation bonds payable	1,785,000	0	85,000	0	1,700,000	90,000
B. Three mill notes payable	513,000	0	48,000	0	465,000	51,000
C. Other loans payable	158,194	0	21,093	0	137,101	21,093
D. Judgements payable	40,000	0	40,000	0	0	0
E. Compensated absences payable	60,376	7849	1811	0	66,414	0
Total	\$ 2,556,570	7,849	195,904	0	2,368,515	165,414

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 Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds	variable	6/24/98	2/01/18	\$2,040,000	\$1,700,000

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u> 2005	\$85,000	\$85,409	\$170,409
2006	90,000	79,940	169,940
2007	95,000	74,159	169,159
2008	95,000	69,053	164,053
2009	105,000	64,553	169,553
2010-2014	595,000	244,574	840,744
2015-2019	<u>720,000</u>	<u>49,938</u>	<u>634,938</u>
Total	\$1,785,000	\$789,134	\$2,654,134

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 the Adequate Education Act, Sections 37-151-1 through 37-151-7 of the Mississippi 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.

North Bolivar School District

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

This debt will be retired from the MAEP retirement fund.

B. Three Mill-Ten Year Notes Payable

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

Year Ending			
<u>June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$48,000	19,699	68,494
2006	51,000	17,856	68,856
2007	52,000	15,898	67,898
2008	54,000	13,901	67,901
2009	57,000	11,827	68,827
2010-2014	<u>251,000</u>	<u>24,538</u>	<u>275,538</u>
Total	\$513,000	\$103,719	\$617,514

This debt will be retired from the other capital project fund.

C. Other Loans Payable

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

Year Ending	
<u>June 30.</u>	<u>Principal</u>
2005	\$21,093
2006	21,093
2007	21,093
2008	21,093
2009	21,093
2010-2012	<u>52,729</u>
Total	\$158,194

This debt will be retired from the general fund.

D. Judgements Payable.

The court ordered judgement totaled \$120,000. The amount to be paid for the fiscal years ending June 30, 2005 is \$40,000 (last payment).

This debt will be retired from the general fund.

E. 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 which employees' salaries were paid.

North Bolivar School District

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

(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 \$329,750, \$395,032, and \$376,748 respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending <u>June 30,</u>	<u>Amount</u>
2005	\$ 17,464
2006	17,464
2007	<u>17,464</u>
Total	<u>\$ 52,392</u>

(8) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these

North Bolivar School District

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

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 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.

(9) Subsequent events.

On November 18, 2005, subsequent to the year reported in this financial statement, the Mississippi Board of Education voted unanimously to take over North Bolivar School District and appointed a conservatorship. This action was taken pursuant to Miss. Code 37-17-13 Ann. 1972. As a part of this process, the Office of Accreditation has reviewed and demanded a repayment of \$90,530.26 which was expended in the fiscal year ending June 30, 2006. This obligation is to be repaid in fiscal year 2006 in addition to any conservatorship expenditures incurred.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH BOLIVAR SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2005

Exhibit 1-1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 861,723	969,656	1,000,755	107,933	31,099
State sources	4,181,244	4,106,540	4,106,542	(74,704)	2
Federal sources				0	0
Total Revenues	5,042,967	5,076,196	5,107,297	33,229	31,101
Expenditures:					
Instruction	2,757,385	2,549,356	2,549,312	208,029	44
Support services	2,056,449	1,802,864	1,802,798	253,585	66
Noninstructional services	22,500	70,056	70,048	(47,556)	8
Facilities acquisition and construction				0	0
Debt Service				0	0
Principal	61,093	61,093	61,093	0	0
Interest				0	0
Total Expenditures	4,897,427	4,483,369	4,483,251	414,058	118
Excess (Deficiency) of Revenues Over Expenditures	145,540	592,827	624,046	(380,829)	31,219
Other Financing Sources (Uses):					
Other financing sources	84,533	201,797	167,700	117,264	(34,097)
Other financing uses	(163,977)	(337,516)	(337,515)	(173,539)	(1)
Total Other Financing Sources (Uses)	(79,444)	(135,719)	(169,815)	(56,275)	34,096
Net Change in Fund Balances	66,096	457,108	454,231	(437,104)	2,877
Fund Balances:					
July 1, 2004	346,000	562,863	539,179	216,863	(23,684)
Prior period adjustments (Note)					0
July 1, 2004, as restated	346,000	562,863	539,179	216,863	(23,684)
Increase (Decrease) in reserve for inventory	0	0	0	0	0
Residual equity transfer in (out)	0	0	0	0	0
June 30, 2005	\$ 412,096	1,019,971	993,410 #	(220,241)	(26,561)

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

NORTH BOLIVAR SCHOOL DISTRICT
Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the year ended June 30,2005

Exhibit 1-2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth Section sources	126,500	130,842	130,843	4,342	1
Total Revenues	126,500	130,842	130,843	4,342	1
Expenditures:					
Sixteenth Section	19,000	17,543	17,543	(1,457)	0
Total Expenditures	19,000	17,543	17,543	(1,457)	0
Excess (Deficiency) of Revenues Over Expenditures	107,500	113,299	113,300	5,799	1
Other Financing Sources (Uses):					
Operating transfers in				0	0
Operating transfers out				0	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances	107,500	113,299	113,300	5,799	1
Fund Balances:					
July 1, 2004	54,000		186,617	(54,000)	186,617
Prior period adjustments (Note)					
July 1, 2004, as restated	54,000	0	186,617	(54,000)	186,617
Increase (Decrease) in reserve for inventory	0	0		0	0
Residual equity transfer in (out)				0	0
June 30, 2005	<u>\$ 161,500</u>	<u>113,299</u>	<u>299,917</u>	<u>(48,201)</u>	<u>186,618</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

North Bolivar 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, and variances between the original budget and the final budget.

(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 the major fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

North Bolivar 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 Expenditures
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$27,396
Child Nutrition Cluster:		
School Breakfast Program	10.553	162,557
National School Lunch Program	10.555	304,549
Total Child Nutrition cluster		<u>467,106</u>
Total passed-through the MDE		<u>494,502</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u><u>494,502</u></u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	715,284
Vocational Education- Basic Grants to States	84.048	29,652
Safe and Drug-Free Schools and Communities - State Grants	84.186	23,855
Eisenhower professional development state grants	84.281	70,000
Twenty-first century community learning centers	84.287	347,092
State Grants for Innovative Programs	84.298	6,093
Education for Homeless Children and Youth	84.196	20,000
Education Technology State Grants	84.318	24,638
Comprehensive School Reform Demonstration	84.332	194,152
Rural Education	84.358	44,294
Improving Teacher Quality State Grants	84.367	113,639
Special Education Cluster:		
Special Education - Grants to States	84.027	267,369
Special Education - Preschool Grants	84.173	14,362
Total Special Education Cluster		<u>281,730</u>
Total passed-through the MDE		<u>1,870,429</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u><u>1,870,429</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$2,364,931</u></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

North Bolivar 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	\$ 5,410,117	3,582,275	770,721	1,057,120
Other	2,290,020	433,087	111,381	1,745,552
Total	\$ 7,700,137	4,015,362	882,102	2,802,672
Total number of students *	880	880	880	880
Cost per student	\$ 8,750	4,563	1,002	3,185

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

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

January 5, 2006
Superintendent and School Board
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2005, and have issued my report thereon dated January 5, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

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

January 5, 2006
Superintendent and School Board
North Bolivar School District

Compliance

I have audited the compliance of the North Bolivar 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 North Bolivar 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 North Bolivar 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

January 5, 2006
Superintendent and School Board
North Bolivar School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Bolivar School District as of and for the year ended June 30, 2005, which collectively comprise North Bolivar School District's basic financial statements and have issued my report thereon dated January 5, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States .

Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(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 state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$23,904.07 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 my audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

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



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

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

North Bolivar School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements: Unqualified.
2. Material noncompliance relating to the general purpose financial statements? No.
3. Internal control over financial reporting:
 - a. Material 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
 - c. Twenty-first century community learning centers
CFDA# 84.287
8. The dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit 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? No.

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

