



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 PANOLA SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

**NORTH PANOLA SCHOOL DISTRICT
TABLE OF CONTENTS**

FINANCIAL AUDIT REPORT	1
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	13
Statement of Net Assets	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds ...	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	19
Statement of Fiduciary Net Assets – Agency Funds	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTAL INFORMATION.....	35
Budgetary Comparison Schedule - General Fund.....	36
Budgetary Comparison Schedule - IDEA, Part B Fund.....	37
Notes to the Required Supplemental Information.....	38
SUPPLEMENTAL INFORMATION.....	39
Schedule of Expenditures of Federal Awards	40
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	41
REPORTS ON COMPLIANCE AND INTERNAL CONTROL.....	43
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 <i>Government Auditing Standards</i>	45
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.....	47
Independent Auditor's Report on Compliance with State Laws and Regulations	49
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	51
AUDITEE'S CORRECTIVE ACTION PLAN	55
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	56

NORTH PANOLA SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

(THIS PAGE LEFT BLANK INTENTIONALLY)



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS
JERRY W. PITTS
REBECCA A. BEARD

2018 McIngvale Road
Hernando, MS 38632

(662) 429-4436
Memphis 342-1417
FAX: (662) 429-4438

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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2005, which collectively comprise the North Panola School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Panola 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 North Panola 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 February 2, 2006, on our consideration of the North Panola School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Panola 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 the 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

February 2, 2006

NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2005

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

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

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,557,904 which represents a 49% increase from fiscal year 2004.
- General revenues account for \$10,758,628 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,696,532 or 26% of total revenues.
- The District had \$13,812,252 in expenses; only \$3,696,532 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$10,758,628 were more than adequate to provide for the balance of these expenses.
- Among major funds, the General Fund had \$9,730,785 in revenues and \$9,302,529 in expenditures. The General Fund's fund balance increased \$460,012 from the prior year. The increase in fund balance was the result of several factors. County millage rate was increased to generate more revenue, and the district received a \$100,000 donation during fiscal year 2005.
- Capital assets, net of accumulated depreciation, increased by \$897,024. The increase in capital assets is mainly due to the addition of the building improvements that were not added to fixed assets in fiscal year end 2000 which was the acquisition year.
- Long-term debt increased by \$11,246. This increase is a result of the issuance of \$1,455,000 in General Obligation Refunding Bonds as well as \$257,800 leased property under capital lease, less regularly scheduled debt service payments.

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.

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2005**

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 14 – 15 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 17 and 19, respectively.

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 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 16 – 19 of this report.

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2005**

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 20.

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 21 – 34 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 for and major fund which is a Special Revenue fund. This required supplemental information can be found on page 35 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 40 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 \$4,712,191 as of June 30, 2005.

By far the largest portion of the District's net assets (73%) reflects its unrestricted fund balance which is primarily cash and investments.

The District's financial position is a product of several financial transactions including the net result of activities, the 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. Current assets increased by \$319,133 primarily due to an increase in cash and investments from tax proceeds.

NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2005

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets	\$ 4,604,933	\$ 4,285,800
Non-current assets	44,111	-
Capital assets, net	4,977,881	4,080,857
Total assets	<u>9,626,925</u>	<u>8,366,657</u>
Liabilities:		
Current liabilities	\$ 753,678	\$ 986,767
Long-term liabilities	4,161,056	4,225,603
Total liabilities	<u>4,914,734</u>	<u>5,212,370</u>
Net assets:		
Invested in capital assets, net of related debt	493,575	(359,143)
Restricted	788,347	1,151,107
Unrestricted	3,430,269	2,362,323
Total net assets	<u>\$ 4,712,191</u>	<u>\$ 3,154,287</u>

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

- The issuance of \$1,455,000 of general obligation refunding bonds and 257,800 of leased property under capital leases. Also, the principal retirement of \$1,708,494 in long term debt.
- The increase of capital assets, net of related debt by 852,718 due primarily to the addition of building improvements from fiscal year 2000.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2005 were \$14,455,160. The total cost of all programs and services was \$13,812,252. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 3,696,532	\$ 3,987,828
General revenues	10,758,628	10,513,208
Total revenues	<u>\$ 14,455,160</u>	<u>\$ 14,501,036</u>
Expenses:		
Instruction	\$ 7,828,708	\$ 7,145,131
Support services	4,796,933	4,796,586
Non-instructional	968,159	862,643
Interest on long-term liabilities	218,452	237,004
Total expenses	<u>13,812,252</u>	<u>13,041,364</u>
Increase in net assets	<u>\$ 642,908</u>	<u>\$ 1,459,672</u>

Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, 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

NORTH PANOLA SCHOOL DISTRICT

Management's Discussion and Analysis

For The Year Ended June 30, 2005

District's taxpayers by each of these functions.

	2005	2005	2004	2004
	Total	Net (Expense)	Total	Net (Expense)
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 7,828,708	\$ (6,333,909)	\$ 7,145,131	\$ (5,300,024)
Support services	4,796,933	(3,553,693)	4,796,586	(3,567,862)
Non-instructional	968,159	(9,666)	862,643	51,354
Interest on long-term liabilities	218,452	(218,452)	237,004	(237,004)
Total expenses	<u>\$ 13,812,252</u>	<u>\$ (10,115,720)</u>	<u>\$ 13,041,364</u>	<u>\$ (9,053,536)</u>

- In 2005, net cost of governmental activities (\$10,115,720), was financed by general revenue, which is made up primarily of property taxes of \$2,676,459 and state revenue of \$7,757,755. In 2004, property taxes were \$2,533,864 and state revenue \$7,873,898. Investment earnings accounted for \$38,535 of funding in 2005 and \$23,684 in 2004.

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 \$4,288,029, an increase of \$631,801 due primarily to an increase in local revenues, and net bond and capital lease proceeds. \$3,021,843 or 70% of the fund balance constitutes unreserved and undesignated fund balance which is available for spending. The remaining fund balance of \$1,266,186 or 30% 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 \$573,917, a result of an increase in local revenues and \$113,905 in prior period adjustments to remove prior year liabilities. The fund balance of Other Governmental Funds showed a decrease of \$276,881.

BUDGETARY HIGHLIGHTS

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

- Budget amendments were made to increase expenditures for additional personnel and support services necessary for the additional 40 children enrolled in FY05. Amendments were also made for new funds and carry-over funds in Federal Programs as well as grants awarded during the year.

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

**NORTH PANOLA SCHOOL DISTRICT
Management's Discussion and Analysis
For The Year Ended June 30, 2005**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total net capital assets were \$4,977,881, including school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$897,024 from the previous year. The increase in capital assets is mainly due to the addition of building improvements added in fiscal year 2000 and the addition of leased property under capital leases. Accumulated depreciation as of June 30, 2005 was \$5,731,345 and total depreciation expense for the year was \$224,349. Additional information on the District's capital assets can be found in Note 4 of this report.

Debt Administration. At June 30, 2005, the District had \$4,576,849 in general obligation bonds and other long-term debt outstanding, of which \$395,082 is due within one year. Ad valorem requests to Panola County are adequate to cover the annual debt service for fiscal year 2006.

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

CURRENT ISSUES

The North Panola 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. The millage has increased 5.17 over 4 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.

Latest enrollment figures indicate that student enrollment of the District will remain fairly close to current enrollment levels. However, should enrollment fluctuate considerably, the budget for the next fiscal year will be adjusted to take into account the impact of such fluctuation, both in terms of funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Panola School District, P. O. Box 334, Sardis, MS 38666.

NORTH PANOLA SCHOOL DISTRICT

FINANCIAL STATEMENTS

Statement of Net Assets
June 30, 2005

	<u>Primary Government</u> <u>Government</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 4,075,251
Investments	10,254
Due from other governments	492,557
Inventories and prepaid items	26,871
Bond issue cost	44,111
Capital assets, net (Note 4)	4,977,881
Total assets	<u>\$ 9,626,925</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 68,583
Due to other governments	-
Deferred revenue	235,991
Other payables	12,330
Interest payable on long-term debt	41,692
Long-term liabilities (due within one year) (Note 5)	
Capital - related liabilities	395,082
Long-term liabilities (due beyond one year) (Note 5)	
Capital - related liabilities	4,089,224
Bond discount	(20,711)
Non-capital liabilities	92,543
Total liabilities	<u>\$ 4,914,734</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 493,575
Restricted net assets	
Expendable:	
School based activities	565,390
Debt service	182,310
Unemployment benefits	40,647
Unrestricted	3,430,269
Total Net Assets	<u>\$ 4,712,191</u>

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

Statement of Activities
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Primary Governmental Activities
Governmental Activities:					
Instruction	\$ 7,828,708	75,642	1,419,157	-	(6,333,909)
Support services	4,796,933		1,187,192	56,048	(3,553,693)
Noninstructional services	968,159	67,484	891,009		(9,666)
Interest and other expenses on long-term debt	218,452				(218,452)
Total governmental activities	<u>\$ 13,812,252</u>	<u>143,126</u>	<u>3,497,358</u>	<u>56,048</u>	<u>(10,115,720)</u>
General Revenues:					
Taxes:					
					2,443,574
					232,885
Unrestricted grants and contributions:					
					7,757,755
					66,784
					168,402
					38,535
					50,693
					<u>10,758,628</u>
Changes in Net Assets					
					<u>642,908</u>
Net assets - Beginning					
					3,154,287
Prior period adjustments (Note 7)					
					<u>914,996</u>
Net Assets - Restated					
					<u>4,069,283</u>
Net Assets - Ending					
					<u>\$ 4,712,191</u>

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

**Balance Sheet – Governmental Funds
June 30, 2005**

	Major Funds				Total Governmental Funds
	General Fund	IDEA, Part B Grant	Debt Service Bond Issue 2004	Other Governmental Funds	
ASSETS					
Cash and cash equivalents (Note 2)	\$ 2,875,978	\$ -	\$ 323,073	\$ 876,200	\$ 4,075,251
Investments				10,254	10,254
Due from other governments	99,110	60,087	4,934	328,426	492,557
Due from other funds (Note 3)	96,523			35,388	131,911
Inventories and prepaid items				26,871	26,871
Total assets	<u>\$ 3,071,611</u>	<u>\$ 60,087</u>	<u>\$ 328,007</u>	<u>\$ 1,277,139</u>	<u>\$ 4,736,844</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 45,407	\$ 662	\$ -	\$ 22,514	\$ 68,583
Due to other funds (Note 3)	4,361	59,425		68,125	131,911
Deferred revenue				235,991	235,991
Other payables				12,330	12,330
Total liabilities	<u>49,768</u>	<u>60,087</u>	<u>-</u>	<u>338,960</u>	<u>448,815</u>
Fund balances:					
Reserved for:					
Inventory				26,871	26,871
Unreserved, undesignated, reported in:					
General fund	3,021,843			-	3,021,843
Special revenue funds				579,166	579,166
Capital project funds				172,964	172,964
Debt service funds			328,005	159,180	487,185
Total fund balances	<u>3,021,843</u>	<u>-</u>	<u>328,005</u>	<u>938,181</u>	<u>4,288,029</u>
Total liabilities & fund balances	<u>\$ 3,071,611</u>	<u>\$ 60,087</u>	<u>\$ 328,005</u>	<u>\$ 1,277,141</u>	<u>\$ 4,736,844</u>

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

***Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2005***

	<u>Amount</u>
Total Fund Balances - Government Funds	\$ 4,288,029
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$32,678,690. (Note 4)	4,977,881
2. Other long-term assets (bond issue costs) are not available to pay for current expenditures and therefore are deferred in the funds. (Exh A)	44,111
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(4,576,849)
4. Interest payable on long-term liabilities is not reported on the governmental fund balance sheet. (Exh A)	(41,692)
5. Bond premiums, bond discounts and loss on redemption of bonds are reported as other financing sources and uses in the governmental funds but as a liability and contra-liability on the statement of net assets. (Exh A)	<u>20,711</u>
Total Net Assets	<u><u>\$ 4,712,191</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the year ended June 30, 2005

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	IDEA, Part B Grant	Debt Service Bond Issue 2004		
REVENUE					
Local sources	\$ 2,729,441	\$ -	\$ 232,885	\$ 100,115	\$ 3,062,441
State sources	6,934,560			1,294,252	8,228,812
Federal sources	66,784	419,816		2,678,703	3,165,303
Total revenues	<u>9,730,785</u>	<u>419,816</u>	<u>232,885</u>	<u>4,073,070</u>	<u>14,456,556</u>
EXPENDITURES					
Instruction	5,967,254	173,227		1,538,592	7,679,073
Support services	3,295,275	205,791		1,467,338	4,968,404
Noninstructional services				992,159	992,159
Debt Service:					
Principal	40,000		150,000	168,494	358,494
Interest			89,686	147,059	236,745
Other			62,032		62,032
Total expenditures	<u>9,302,529</u>	<u>379,018</u>	<u>301,718</u>	<u>4,313,642</u>	<u>14,296,907</u>
Excess (deficiency) of revenues over expenditures	<u>428,256</u>	<u>40,798</u>	<u>(68,833)</u>	<u>(240,572)</u>	<u>159,649</u>
Proceeds of refunding bonds			1,455,000		1,455,000
Proceeds of capital leases				257,800	257,800
Operating transfers in				136,866	136,866
Other financing sources	42,138				42,138
Operating transfers out	(10,382)			(126,484)	(136,866)
Payment to refunded bond escrow agent			(1,350,000)		(1,350,000)
Other financing use	0			(43,534)	(43,534)
Total other financing sources and uses	<u>31,756</u>	<u>-</u>	<u>105,000</u>	<u>(33,152)</u>	<u>361,404</u>
Net change in fund balances	<u>460,012</u>	<u>40,798</u>	<u>36,167</u>	<u>(273,724)</u>	<u>521,053</u>
Fund balances:					
July 1, 2004, as previously reported	2,447,926	(40,798)	291,838	957,262	3,656,228
Prior period adj. & reclassifications	113,905			(13,624)	100,281
July 1, 2004, as restated	<u>2,561,831</u>	<u>(40,798)</u>	<u>291,838</u>	<u>943,638</u>	<u>3,756,509</u>
Increase (decrease) in reserve for inventory				10,467	10,467
June 30, 2005	<u>\$ 3,021,843</u>	<u>\$ -</u>	<u>\$ 328,005</u>	<u>\$ 680,381</u>	<u>\$ 4,288,029</u>

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

***Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2005***

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 521,053
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$278,800, the depreciation expense amounted to \$224,349, and book value of assets retired was \$12,142. (Note 4)	42,309
2. Proceeds of long-term liabilities are reported as revenue in the governmental funds, but not in the statement of activities. (Note 5)	(362,800)
3. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the statement of activities. Bond premiums, discounts, and loss on redemption of bonds are reported as other financing sources and uses in the governmental funds but are deferred and amortized in the statement of activities.	44,111
	20,711
4. 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. (Note 5)	358,494
5. Decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activity.	10,467
6. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However; in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(6,940)
Accrued interest on bonds payable	15,503
	<u>15,503</u>
Change in Net Assets of Governmental Activities	<u>\$ 642,908</u>

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

Statement of Fiduciary Net Assets – Agency Funds
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents (Note 2)	<u>\$ 526,775</u>
Total Assets	<u><u>\$ 526,775</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 512,058
Due to student clubs	<u>14,717</u>
Total Liabilities	<u><u>\$ 526,775</u></u>

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

1. Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board which was elected by the citizens of each defined county district.

B. Basis of Presentation.

The school district's basic financial statement consists 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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

IDEA Part B Grant Fund – This is a special revenue fund that accounts for grant funds provided to the district for special education needs.

Debt Service Bond Issue 2004 – This is a debt service fund used to account for the accumulation of resources, and the payment of the General Obligation Refunding Bond Series 2004 debt principal, interest, and related costs.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

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.

FUDICIARY 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.

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

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

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 cost 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 asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. Long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

K. Interfund Transactions and Balances.

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction 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 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.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

2. Cash and Cash Equivalents and Investments.

The collateral for public entities' deposits in financial institutions are 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 \$4,075,251 and \$526,775, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,075,251. The bank balance was \$5,614,871.

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 \$5,614,871 was exposed to custodial credit risk.

As of June 30, 2005, the district had the following investments. Except for the investments in U.S. Treasury securities, investments are in an internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Money market funds (Treasury security)	less than 1	<u>\$ 10,254</u>	

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

NORTH PANOLA SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

Credit Risk. State law limits investments to those prescribed in Sections 17-105-33(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, none of the district’s investment balance of \$10,254 was exposed to custodial credit risk.

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

3. Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$ 96,523	\$ 4,361
Other major fund(s)		
IDEA, Part B		59,425
Other governmental funds	<u>35,388</u>	<u>68,125</u>
Total Funds	<u>\$ 131,911</u>	<u>\$ 131,911</u>

“Due from’s” consist primarily of \$96,523 due to the general fund for covering year end expenditures in various funds and \$27,834 due to food service for the summer feeding program.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$	\$ 10,382
Other governmental Funds	<u>136,866</u>	<u>126,484</u>
Total Funds	<u>\$ 136,866</u>	<u>\$ 136,866</u>

Transfers out consists primarily of \$126,059 transferred from Title I to Consolidated Cost Administrative Fund.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

4. Capital Assets.

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

	Balance 7-1-2004	Additions	Retirements	Adjustments	Balance 6-30-2005
Non-depreciable capital assets:					
Land	\$ 139,509	\$ -	\$ -	\$ -	\$ 139,509
Total non-depreciable capital assets	<u>139,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,509</u>
Depreciable capital assets:					
Buildings	7,415,572				7,415,572
Building improvements	-			1,301,058	1,301,058
Improvements other than buildings	56,177			(29,931)	26,246
Mobile equipment	444,754	21,000	13,472		452,282
Furniture and equipment	1,231,575		26,964	(87,852)	1,116,759
Leased property under capital leases		257,800			257,800
Total depreciable capital assets	<u>9,148,078</u>	<u>278,800</u>	<u>40,436</u>	<u>1,183,275</u>	<u>10,569,717</u>
Less accumulated depreciation for:					
Buildings	4,138,770	66,164			4,204,934
Building improvements	-	52,042		260,212	312,254
Improvements other than buildings	36,795			(15,798)	20,997
Mobile equipment	316,959	39,593	13,338		343,214
Furniture and equipment	714,206	43,348	14,956	84,146	826,744
Leased property under capital leases		23,202			23,202
Total accumulated depreciation	<u>5,206,730</u>	<u>224,349</u>	<u>28,294</u>	<u>328,560</u>	<u>5,731,345</u>
Total depreciable capital assets, net	<u>3,941,348</u>	<u>54,451</u>	<u>12,142</u>	<u>854,715</u>	<u>4,838,372</u>
Governmental activities capital assets, net	<u>\$ 4,080,857</u>	<u>\$ 54,451</u>	<u>\$ 12,142</u>	<u>\$ 854,715</u>	<u>\$ 4,977,881</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 142,695
Support services	74,187
Non-instructional	<u>7,467</u>
Total depreciation expense	<u>\$ 224,349</u>

Adjustment – Deletions of duplicate equipment and equipment that was under the capitalization threshold. Corrections to beginning accumulated depreciation for furniture and equipment, and addition of building improvements of \$1,301,058 which had not been included in prior financial statements.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

5. Long-Term liabilities.

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

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amounts due within one year
A. General obligation bonds	\$ 1,500,000	\$ 1,455,000	\$ 1,500,000	\$ 1,455,000	\$ 195,000
B. Limited obligation bonds payable	2,940,000		150,000	2,790,000	160,000
C. Obligations under capital leases	-	257,800	18,494	239,306	40,082
D. Compensated Absences Payable	85,603	6,940	-	92,543	-
E. Judgments payable	40,000		40,000		
Total	<u>\$ 4,565,603</u>	<u>\$ 1,719,740</u>	<u>\$ 1,708,494</u>	<u>\$ 4,576,849</u>	<u>\$ 395,082</u>

A. General Obligation Bonds Payable.

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

	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Obligation Refunding Bonds Series 2004	1.75-3.12%	11/1/2004	10/1/2011	<u>\$ 1,455,000</u>	<u>\$ 1,455,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 195,000	35,388	230,388
2007	195,000	31,634	226,634
2008	200,000	27,286	227,286
2009	205,000	22,372	227,372
2010	215,000	16,695	231,695
2011-2015	445,000	13,847	458,847
Total	<u>\$ 1,455,000</u>	<u>147,222</u>	<u>1,602,222</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

indebtedness equaled to 3% of property assessments as of October 1, 2004. This debt will be retired from the General Obligation Bond Retirement Fund.

On November 1, 2004, the district issued \$1,455,000 in General Obligation School Refunding Bonds, series 2004, with an average interest rate of 2.52% to advance refund \$1,350,000 of outstanding 1994 General Obligation Bonds with an average interest rate of 6%. The net proceeds of \$1,382,400 (after deductions of \$49,404 for issuance costs and \$23,296 for bond discounts) were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the 1994 General Obligation Bonds which were called on April 1, 2005. The issuance costs and bond discounts will be amortized (on the Statement of Activities) annually until the new bonded debt is fully paid.

As a result, the 1994 General Obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt.

The district advance refunded the 1994 General Obligation Bonds to reduce its total debt service payments over the remaining 7 years of the debt by approximately \$74,122 and to obtain an economic gain of \$71,317.

B. Limited Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds Series 1998	Varies	6/16/1998	6/16/2018	\$ 3,350,000	\$ 2,790,000

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

Year Ending June 30	Principal	Interest	Total
2006	160,000	131,379	291,379
2007	170,000	121,779	291,779
2008	175,000	113,109	288,109
2009	185,000	105,452	290,452
2010	195,000	97,312	292,312
2011-2015	1,105,000	343,888	1,448,888
2016-2020	800,000	73,125	873,125
Total	2,790,000	986,044	3,776,044

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

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

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.

C. Obligations Under Capital Leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purpose. Leased property under this lease is composed of five buses.

The various options available to the lessee for this lease are as follows:

1. Prepayment Option
2. Purchase Option
3. Defeasance in Whole
4. Partial Defeasance

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

Year Ending June 30	Principal	Interest	Total
2006	40,082	8,280	48,362
2007	41,542	6,820	48,362
2008	43,056	5,307	48,363
2009	44,624	3,739	48,363
2010	46,249	2,113	48,362
2011	23,753	429	24,182
Total	<u>239,306</u>	<u>26,688</u>	<u>265,994</u>

This debt will be retired from the EEF Building and Buses Fund.

D. 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), Mississippi Code Annotated (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

- E. The court ordered a judgment in the amount of \$150,000 for litigation in the United States District Court for the Northern District of Mississippi for overtime disputes. A portion of the settlement was paid during previous years. The final amount of \$40,000 was paid in February 2005.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
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 North Panola 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 \$755,190, \$694,609, and \$708,928, respectively, which equaled the required contributions for each year.

7. Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. Adjustment to add prior period expenditure	\$ (9,704)
2. Adjustment for due to clubs	(4,242)
3. Adjustment to void old outstanding checks	4,472
4. Adjustment to reverse prior year due to and due from	19,744
5. Adjustment to clear old deferred revenue accounts per MS Dept. of Education	58,366
6. Record receipt of payment of prior year transferred funds	5,269
7. Adjustment for deferred revenue – Capacity Building Grant	(4,741)
8. Record payment of prior year transferred funds	(5,269)
9. Adjustment to balance fund balances to prior year balance	(3,614)
10. Adjustment to correct beginning capital asset balances	854,715
Total	<u>\$ 914,996</u>

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major funds:</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To add prior period expenditure	\$ (9,704)
	To correct due to clubs	(4,242)
	To void old outstanding checks	4,472
	Reverse prior year due to and due from	19,744
	To clear old deferred revenue accounts per MS Dept of Education	58,366
	Record receipt of payment of prior year transferred funds	5,269
	To correct debt liability included in prior year fund statement	40,000
	Total	<u>113,905</u>
Other Governmental Funds	See explanation for Exhibit B, items 7,8, and 9	(13,624)
	Total	<u>\$ 100,281</u>

8. Litigation.

The North Panola School District is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be a material adverse effect on the combined financial statements as a result of the cases presently in progress.

9. Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi Public Entity Workers' Compensation Trust (MPEWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MPEWCT contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$350,000. For a claim exceeding \$350,000, MPEWCT has insurance which will pay the excess up to \$1,000,000. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NORTH PANOLA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005

10. Subsequent Events.

During fiscal year 2004, the school district had a finding for unused deferred revenue funds in the amount of \$117,122. The Mississippi State Auditor's office reviewed the funds during the current fiscal year. It was determined that there had been a bookkeeping error and the unused deferred revenue funds amounted to \$36,605. The State requested these funds be repaid and the school district did so on November 16, 2005.

In October 2005, the North Panola School District Board asked for the resignation of the Superintendent of Education. An Interim Superintendent was named, and appointed to Superintendent in January 2006. The board and the former Superintendent agreed to a settlement for the balance of his contract in the amount of \$125,000 payable at the time of settlement.

NORTH PANOLA SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,672,128	\$ 2,728,316	\$ 2,729,441	\$ 56,188	\$ 1,125
State sources	7,485,638	6,933,693	6,934,560	(551,945)	867
Federal sources	21,500	66,784	66,784	45,284	-
Total Revenues	10,179,266	9,728,793	9,730,785	(450,473)	1,992
Expenditures:					
Instruction	5,778,341	5,967,527	5,967,254	(189,186)	273
Support services	3,455,227	3,556,100	3,295,275	(100,873)	260,825
Noninstructional services	280	-	-	280	-
Debt service	-	40,000	40,000	(40,000)	-
Total Expenditures	9,233,848	9,563,627	9,302,529	(329,779)	261,098
Excess (Deficiency) of Revenues Over Expenditures	945,418	165,166	428,256	(780,252)	263,090
Other Financing Sources (Uses):					
Proceeds of capital leases	-	257,800	-	257,800	(257,800)
Operating transfers in	877,911	304	-	(877,607)	(304)
Other financing sources	93,454	42,138	42,138	(51,316)	-
Operating transfers out	(1,383,736)	(8,886)	(10,382)	1,374,850	(1,496)
Total Other Financing Sources (Uses)	(412,371)	291,356	31,756	703,727	(259,600)
Net Change in Fund Balances	533,047	456,522	460,012	(76,525)	3,490
Fund Balances:					
July 1, 2004	2,396,309	2,613,862	2,447,926	217,553	(165,936)
July 1, 2004, as restated	2,396,309	2,476,837	2,561,831	217,553	(165,936)
Residual equity transfer in (out)					
June 30, 2005	\$ 2,929,356	\$ 2,933,359	\$ 3,021,843	\$ 141,028	\$ (162,446)

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

NORTH PANOLA SCHOOL DISTRICT
Budgetary Comparison Schedule – IDEA Part B Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Federal sources	371,195	420,050	419,816	48,855	(234)
Total Revenues	371,195	420,050	419,816	48,855	(234)
Expenditures:					
Instruction	169,552	145,727	173,227	23,825	(27,500)
Support services	201,643	233,291	205,791	(31,648)	27,500
Noninstructional services	-	-	-	-	-
Total Expenditures	371,195	379,018	379,018	(7,823)	-
Excess (Deficiency) of Revenues Over Expenditures	-	41,032	40,798	41,032	(234)
Other Financing Sources (Uses):					
Operating transfers in				-	-
Other financing sources				-	-
Operating transfers out				-	-
Other financing uses				-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	41,032	40,798	41,032	(234)
Fund Balances:					
July 1, 2004	-	(41,032)	(40,798)	(41,032)	234
July 1, 2004, as restated	-	(41,032)	(40,798)	(41,032)	234
Residual equity transfer in (out)				-	-
June 30, 2005	\$ -	\$ -	\$ -	\$ -	\$ -

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

NORTH PANOLA 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.

3. Individual Fund Disclosures.

Individual funds that have an excess of expenditures over budget, including amounts of the excess, are as follows:

<u>Individual Fund</u>	<u>Amount</u>
Title IV Safe and Drug Free	\$ 4,277
Title VI Rural and Low	\$ 1,963
EEF Building and Buses	\$ 257,800

All the funds listed above are in violation of state law. However, the school district has no liability associated with these violations.

SUPPLEMENTAL INFORMATION

NORTH PANOLA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food distribution	10.550	\$ 46,127
Child nutrition cluster:		
National school breakfast program	10.553	254,251
National school lunch program	10.555	568,735
Summer food program	10.559	36,757
Total child nutrition cluster		<u>859,743</u>
Fresh fruits and vegetables	10.582	16,935
Total U.S. Department of Agriculture		<u>922,805</u>
<u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	<u>19,532</u>
<u>U.S. Department of Education</u>		
Passed-through Quitman County School District:		
Twenty-first century community learning centers	84.287	<u>6,143</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,389,792
Vocational education - basic grants to states	84.048	32,940
Safe and drug-free schools and communities - state grants	84.186	14,475
Innovative education program strategies	84.298	12,099
Teacher quality enhancement grants	84.336	1,400
Transaction to teaching	84.350	1,400
Rural education	84.358	52,165
Improving teacher quality - state grants	84.367	201,445
Total		<u>1,705,716</u>
Special education cluster:		
Special education-grants to states	84.027	419,815
Special education - preschool grants	84.173	19,689
Total		<u>439,504</u>
Total passed-through Mississippi Department of Education		<u>2,145,220</u>
Total U.S. Department of Education		<u>2,151,363</u>
Total for All Federal Awards		<u>\$ 3,093,700</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, 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.

NORTH PANOLA SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds
For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 10,588,510	\$ 7,031,181	\$ 1,216,481	\$ 2,340,848
Other	<u>3,708,397</u>	<u>647,892</u>	<u>234,703</u>	<u>2,825,802</u>
Total	\$ 14,296,907	\$ 7,679,073	\$ 1,451,184	\$ 5,166,650
Total number of students	1,875	1,875	1,875	1,875
Cost per student	<u>\$ 7,625</u>	<u>\$ 4,095</u>	<u>\$ 774</u>	<u>\$ 2,756</u>

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

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

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

Other - includes all expenditures for functions not otherwise specified in Instruction and Administrative expenditures above.

(THIS PAGE LEFT BLANK INTENTIONALLY)

NORTH PANOLA SCHOOL DISTRICT
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

(THIS PAGE LEFT BLANK INTENTIONALLY)



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 2, 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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Finding 05-1, 05-2 and 05-3.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

Continued...

Continued....

Compliance and Other Matters

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

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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

February 2, 2006



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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
North Panola School District

Compliance

We have audited the compliance of the North Panola 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 accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, North Panola 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the Schedule of Findings and Questioned Costs as Findings 05-1, 05-2, and 05-3.

Continued...

Continued...

Internal Control Over Compliance

The management of the North Panola 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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Certified Public Accountants

February 2, 2006



WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2005, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated February 2, 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 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 \$87,960 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.

Continued...

Continued...

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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
February 2, 2006

NORTH PANOLA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NORTH PANOLA 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(es) identified? No

 - b. Reportable condition(s) 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 (es) identified? No

 - b. Reportable condition(s) identified that are not considered to be material weaknesses? Yes

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. Title I – grants to local education agencies
CFDA#84.010
 - b. Child nutrition cluster
CFDA#10.553, CFDA#10.555, CFDA#10.559
 - c. Special education cluster
CFDA #84.027
CFDA #84.173

**NORTH PANOLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2005**

Federal Awards (Continued):

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

Section 2: Findings Related to the Financial Statements

None

Section 3: Findings Related to Federal Awards

Material Weaknesses

None

Reportable Conditions Not Considered to be Material Weaknesses

05-1 Finding

Program:	Child Nutrition Cluster	CFDA #
	School Breakfast	10.553
	National School Lunch	10.555
	Summer Food Service Program For Children	10.559

Compliance Requirement: Program Income

Questioned Cost: This finding did not result in questioned costs.

Condition Found: Schools' daily sales recaps were examined for one month. The daily system recaps and total actual deposit amounts did not equal. All schools showed a net shortage or overage for the month. The net amount was short by \$106, but one school was over \$146 and another was short \$262.

NORTH PANOLA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2005

Recommendation

The school district should correct problems with the software that is used to record the daily sales and update software training of employees to institute controls to limit these errors.

05-2 Finding

Program: Title I Grants to Local Educational Agencies CFDA # 84.010

Compliance Requirement: Special Tests

Questioned Cost: This finding did not result in questioned costs.

Condition Found: A Title I Comparability Report for the school year 2004-2005 was not performed.

Recommendation

The school district should notify the Mississippi State Auditor's Office about the oversight.

05-3 Finding

Program: Title I Grants to Local Educational Agencies CFDA # 84.010

Compliance Requirement: Cash management

Questioned Cost: This finding did not result in questioned costs.

Condition Found: The district requested funds in excess of immediate need from the Mississippi Department of Education. Interest earned on those funds was not properly recorded and remitted to the state agency. This situation represents a weakness over the controls surrounding the cash management requirements of this federal program.

Recommendation

The district should implement policies and procedures to ensure compliance with the cash management requirements for federal program funds.

AUDITEE'S CORRECTIVE ACTION PLAN



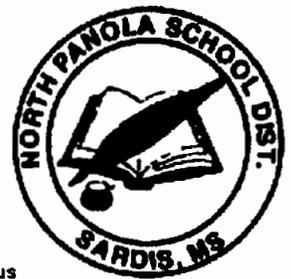
North Panola School District

Glendora Dugger

Interim Superintendent of Education

Post Office Box 334
470 U.S. Highway 51 North
Sardis, Mississippi 38666

Phone: 662-487-2305
Fax: 662-487-2050
Email: gdugger@npanola.k12.ms.us



AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(c) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year Ended June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
----------------	---------------------------------------

05-1	a. Name of Contact Person Responsible for Corrective Action:
------	--

Name: Glendora Dugger
Title: Superintendent
Phone # : (662) 487 - 2305

	b. Corrective Action Planned:
--	-------------------------------

The problems with the food service software have been corrected, and all food service employees have been trained to ensure errors are limited.

	c. Anticipated Completion Date: February 21, 2006
--	---

05-2	a. Name of Contact Person Responsible for Corrective Action:
------	--

Name: Glendora Dugger
Title: Superintendent
Phone # : (662) 487 - 2305

	b. Corrective Action Planned:
--	-------------------------------

The Mississippi Department of Audit will be notified about the oversight of the Title I Comparability Report for the 2004-2005 School Year.

	c. Anticipated Completion Date: March 31, 2006
--	--

05-3

a. Name of Contact Person Responsible for Corrective Action:

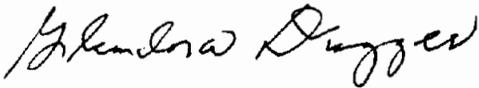
Name: Glendora Dugger
Title: Superintendent
Phone #: (662) 487 - 2305

b. Corrective Action Planned:

Requests for funds will be examined more carefully to ensure the cash management requirement for federal program funds is met.

c. Date Completed: February 21, 2006

Sincerely Yours,



Glendora Dugger, Superintendent
North Panola School District



North Panola School District

Glendora Dugger

Interim Superintendent of Education

Post Office Box 334
470 U.S. Highway 51 North
Sardis, Mississippi 38666

Phone: 662-487-2305
Fax: 662-487-2050
Email: gdugger@npanola.k12.ms.us



SUMMARY OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the North Panola School District has prepared and hereby submits the following summary schedule of prior audit findings as of February 21, 2006:

<u>Finding</u>	<u>Status</u>
2004-1	Programs were reviewed, and the Mississippi Department of Education was contacted concerning the finding of each program. Both the school district and the Department of Education agreed upon which funds would be returned to the state, and those funds were remitted to the Mississippi Department of Education in November, 2005.
2004-2	All activity fund deposits are now being supported by receipt tickets.
2004-3	A time limit of one year has be set for outstanding checks. The old outstanding checks on the bank reconciliations were taken to the school board for action, and the board approved the removal of the old checks. Those checks are no longer being carried forward on the bank reconciliations, and bank reconciliations are prepared each month on a timely basis.

Sincerely,

Glendora Dugger, Superintendent
North Panola School District