



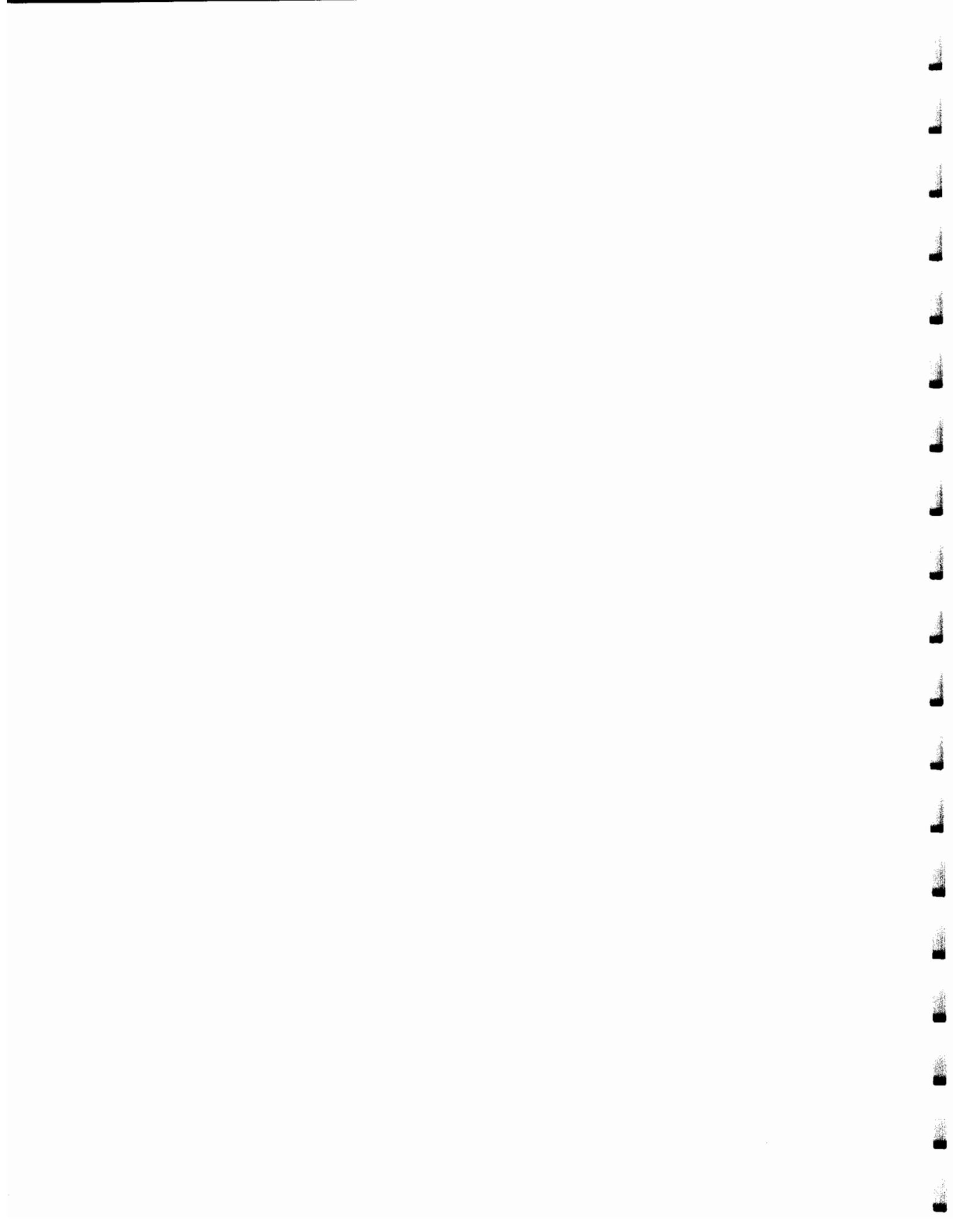
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NORTH PIKE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2005

Presented by:  
Dribben & Associates, Ltd.  
P. O. Box 1411  
113 North Broadway Avenue  
McComb, MS 39649-1411



NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NORTH PIKE SCHOOL DISTRICT

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

September 20, 2005

Superintendent and School Board  
North Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2005, which collectively comprise the North Pike School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the North Pike 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.

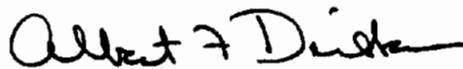
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District, as of June 30, 2005, and the respective 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 September 20, 2005, on our consideration of the North Pike School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering the results of our audit.

The Management's Discussion and Analysis on pages 9 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 41 through 44 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Pike School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Sincerely,

A handwritten signature in black ink that reads "Albert F. Dribben". The signature is written in a cursive style with a long, sweeping underline.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH PIKE SCHOOL DISTRICT

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# NORTH PIKE SCHOOL DISTRICT

1036 Jaguar Trail – Summit, Mississippi 39666

Ben E. Cox, Ph. D.  
Superintendent

Telephone: (601) 276-2216  
Fax: (601) 276-3666

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

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

This discussion and analysis is an 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 and is included in this discussion and analysis.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,659,178, which represents a 21% increase from fiscal year 2004. This increase is due mainly to an increase in restricted assets of \$555,731 due to increase in the receipt of oil and gas royalties, an increase of \$385,598 in capital assets due to capital improvements, mobile equipment purchases, and furniture and equipment purchases.
- General revenues account for \$9,729,591 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,007,599, or 17% of total revenues and an increase in cash and cash equivalents of \$765,415.
- The District had \$10,078,012 in expenses; only \$2,007,599 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$9,729,591 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,847,535 in revenues and \$8,329,080 in expenditures. The General Fund's fund balance increased by \$167,286 from fiscal year 2004.
- Capital assets, net of accumulated depreciation, increased by \$346,795. This increase is due mainly to additions relating to the construction of a bus barn building, the purchase of additional school buses, and additional furniture and equipment.

- Long-term debt decreased by \$35,861. The district made principal payments on existing long-term debt in the amount of \$38,803 during the fiscal year.

## 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 21 - 22 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 24 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 23 - 25 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 27.

**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 28 - 39 of this report.

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

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 47 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,471,403 as of June 30, 2005.

By far the largest portion of the District's net assets (%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and construction), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

assets and the depreciation of capital assets.

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

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$ 5,105,964	3,793,335
Capital assets, net	6,523,278	6,176,484
<b>Total assets</b>	<u>11,629,242</u>	<u>9,969,819</u>
Current liabilities	142,747	106,850
Long-term debt outstanding	1,015,092	1,050,953
<b>Total liabilities</b>	<u>1,157,839</u>	<u>1,157,803</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	5,565,033	5,179,435
Restricted	2,980,686	1,513,959
Unrestricted	1,925,684	2,118,622
<b>Total net assets</b>	<u>\$ 10,471,403</u>	<u>8,812,016</u>

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

- The principal retirement of \$38,803 of long-term debt.
- The addition of \$617,164 in capital assets is related to the construction of a bus barn, purchase of school buses and purchase of furniture and equipment, and acquisition of land.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2005 were \$11,737,190. The total cost of all programs and services was \$10,078,012. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and comparative data for the fiscal year ended June 30, 2004.

	June 30, 2005	June 30, 2004
<b>Revenues:</b>		
Program revenues	\$ 2,007,599	\$ 2,010,523
General revenues	9,729,591	8,223,508
<b>Total revenues</b>	<b>11,737,190</b>	<b>10,234,031</b>
<b>Expenses:</b>		
Instruction	6,162,194	5,649,869
Support services	3,037,796	2,809,866
Non-instructional	648,720	602,039
Sixteenth section	179,693	51,646
Interest on long-term liabilities	49,609	51,083
<b>Total expenses</b>	<b>10,078,012</b>	<b>9,164,503</b>
<b>Increase in net assets</b>	<b>\$ 1,659,178</b>	<b>\$ 1,069,528</b>

**Governmental activities.** The following table presents, for the fiscal year ended June 30, 2005, the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Expenses	Net (Expense) Revenue
Instruction	\$ 6,162,194	(5,256,462)
Support services	3,037,796	(2,680,082)
Non-instructional	648,720	49,272
Sixteenth section	179,693	(133,532)
Interest on long-term liabilities	49,609	(49,609)
<b>Total expenses</b>	<b>\$ 10,078,012</b>	<b>(8,070,413)</b>

- The net cost of governmental activities in the amount of \$8,070,413 was financed by general revenue, which is made up of primarily property taxes of \$1,313,871 and state revenue of \$7,093,374.
- Investment earnings accounted for \$185,154 of funding.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2005, its governmental funds reported a combined fund balance of \$4,983,501, an increase of \$1,275,863 from fiscal year 2004. \$4,106,499, or 83%, of the fund balance is reported in the unreserved and undesignated, which is available for spending at the District's discretion. The remaining fund balance of \$877,002, or 17%, 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 \$167,286.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised the annual operating budget. Significant revisions made during the year are as follows:

- Transfer of \$450,000 to the North Pike Building Fund.
- Local, State, and Federal Revenues greater than anticipated.
- Sale of timber and related expenditures greater than expected.

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

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2005, the District's total capital assets, before depreciation, were \$9,188,875, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$600,664 from the previous year. Total depreciation expense for the year was \$268,719. Total accumulated depreciation as of June 30, 2005 was \$2,665,596, resulting in total net assets of \$6,523,278.

Additional information on the District's capital assets can be found in Note 5 on page 36 of this report.

**Debt Administration.** At June 30, 2005, the District had \$1,015,092 in long-term debt and other long-term debt outstanding, of which \$42,090 is due within one year.

Additional information on the District's long-term debt can be found in Note 6 on page 37 of this report.

### **CURRENT ISSUES**

The North Pike County 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 not increased or decreased significantly over the past several years. In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the District has not increased or decreased significantly over the past several years.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the North Pike School District, 1036 Jaguar Trail, Summit, MS 39666.

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

FINANCIAL STATEMENTS

NORTH PIKE SCHOOL DISTRICT

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North Pike School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

<u>Assets</u>	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Cash and Cash Equivalents	\$ 3,899,018
Due from other governments	180,185
Inventories and prepaid items	12,167
Restricted assets	1,014,594
Capital Assets, net	6,523,278
<b>Total Assets</b>	<b>11,629,242</b>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	120,165
Deferred revenue	2,297
Interest payable on long-term liabilities	20,285
Long-term liabilities (Due within 1 year)	
Capital related liabilities	40,385
Non-capital related liabilities	1,705
Long-term liabilities (Due beyond 1 year)	
Capital related liabilities	917,861
Non-capital related liabilities	55,141
<b>Total Liabilities</b>	<b>1,157,839</b>
<u>Net Assets</u>	
Investment in capital assets (net of related debt)	5,565,033
Restricted net assets for:	
Expendable:	
School-based activities	1,057,064
Debt service	9,129
Capital improvements	766,786
Forestry improvements	102,910
Unemployment benefits	30,203
Non-expendable:	
Sixteenth section	1,014,594
Unrestricted	1,925,684
<b>Total Net assets</b>	<b>\$ 10,471,403</b>

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

North Pike School District  
Statement of Activities  
For the Year Ended June 30, 2005

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>Governmental Activities</b>				
Instruction	\$ 6,162,194	262,187	643,545	(5,256,462)
Support services	3,037,796	-	357,714	(2,680,082)
Non-instructional	648,720	212,281	485,711	49,272
Sixteenth section	179,693	46,161	-	(133,532)
Interest and other expenses on long-term liabilities	49,609	-	-	(49,609)
Total governmental activities	\$ 10,078,012	520,629	1,486,970	(8,070,413)

General revenue:

Taxes	
General purpose levies	1,313,871
Debt service levies	89,071
Unrestricted grant and contributions:	
State	7,093,374
Federal	25,398
Unrestricted investment earnings:	
Sixteenth section	185,154
Other	872,290
Total General Revenues	150,433
Changes in net assets	9,729,591
	1,659,178

Net assets - beginning	8,812,016
Prior period adjustments	209
Net assets - beginning, as restated	8,812,225
Net assets - ending	\$ 10,471,403

North Pike School District  
 Balance Sheet - Governmental Funds  
 For the Year Ended June 30, 2005

Exhibit C

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Interest Fund	Transportation Building Fund	3 Mill Ten Year Notes Fund	16th Section Principal Fund			
<b>Assets:</b>								
Cash and cash equivalents	\$ 1,870,602	718,310	348,568	91,837	1,014,594	869,701	4,913,612	
Due from other governments	102,351	-	-	6,364	-	71,470	180,185	
Advances to other funds	89,071	-	-	-	-	-	89,071	
Inventories and prepaid items	-	-	-	-	-	12,166	12,166	
	<u>2,062,024</u>	<u>718,310</u>	<u>348,568</u>	<u>98,201</u>	<u>1,014,594</u>	<u>953,337</u>	<u>5,195,034</u>	
<b>Liabilities &amp; Fund Balances:</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	61,209	-	39,553	-	-	19,403	120,165	
Advances from other funds	-	-	-	89,071	-	-	89,071	
Deferred revenue	-	-	-	-	-	2,297	2,297	
Total liabilities	<u>61,209</u>	<u>-</u>	<u>39,553</u>	<u>89,071</u>	<u>-</u>	<u>21,700</u>	<u>211,533</u>	
<b>Fund balances:</b>								
Reserved for:								
Advances	89,071	-	-	-	-	-	89,071	
Inventory	-	-	-	-	-	12,016	12,016	
Capital projects funds	-	-	309,015	-	-	457,771	766,786	
Unreserved:				9,129			9,129	
Undesignated, reported in:								
General fund	1,911,744	718,310	-	-	-	461,851	1,911,744	
Special revenue funds	-	-	-	-	1,014,594	-	1,180,161	
Permanent funds	-	-	-	-	-	-	1,014,594	
Total fund balances	<u>2,000,815</u>	<u>718,310</u>	<u>309,015</u>	<u>9,129</u>	<u>1,014,594</u>	<u>931,638</u>	<u>4,983,501</u>	
Total liabilities & fund balances	<u>\$ 2,062,024</u>	<u>718,310</u>	<u>348,568</u>	<u>98,200</u>	<u>1,014,594</u>	<u>953,338</u>	<u>5,195,034</u>	

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 4,983,501
Amounts reported for net assets in the Statement of Net Assets are different because:	
1. Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$2,665,596.	6,523,279
2. Long - term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 6):	
Long-term liabilities	(1,015,092)
Accrued interest on long-term liabilities	<u>(20,285)</u>
	(1,035,377)
Total Net Assets - Governmental Activities	<u>\$ 10,471,403</u>

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

North Pike School District  
 Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds  
 For the Year Ended June 30, 2005

Exhibit D

	Major Funds						Total Governmental Funds
	General Fund	16th Section Interest Fund	Transportation Building Fund	3 Mill Ten Year Notes Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Revenues:</b>							
Local sources	\$ 1,674,948	-	12,825	92,310	-	230,423	2,010,506
State sources	7,146,919	-	-	-	-	165,823	7,312,742
Federal sources	25,668	-	-	-	-	1,267,332	1,293,000
Sixteenth section sources	-	320,736	-	-	607,766	50,442	978,944
<b>Total revenues</b>	<b>8,847,535</b>	<b>320,736</b>	<b>12,825</b>	<b>92,310</b>	<b>607,766</b>	<b>1,714,020</b>	<b>11,595,192</b>
<b>Expenditures:</b>							
Instruction	5,468,862	-	-	-	-	591,747	6,060,609
Support services	2,715,536	-	-	-	-	433,271	3,148,807
Non-instructional services	2,684	-	-	-	-	609,438	612,122
Sixteenth section	-	142,410	-	-	25,398	11,884	179,692
Facilities acquisition and construction	141,998	-	229,255	-	-	-	371,253
Debt Service:							
Principal	-	-	-	38,803	-	-	38,803
Interest	-	-	-	50,269	-	-	50,269
<b>Total expenditures</b>	<b>8,329,080</b>	<b>142,410</b>	<b>229,255</b>	<b>89,072</b>	<b>25,398</b>	<b>1,646,340</b>	<b>10,461,555</b>
Excess (deficiency) of revenues over expenditures	518,455	178,326	(216,430)	3,238	582,368	67,680	1,133,637
Other Financing Sources (Uses):							
Sale of transportation equipment	78	-	-	-	-	-	78
Operating Transfers in	20,900	26,637	-	-	-	555,360	602,897
Other financing sources	141,998	-	-	-	-	-	141,998
Operating Transfers out	(514,145)	-	-	-	(26,637)	(62,115)	(602,897)
Total Other Financing Sources (uses)	(351,169)	26,637	-	-	(26,637)	493,245	142,076
Net Change in Fund Balances	167,286	204,963	(216,430)	3,238	555,731	560,925	1,275,713
Fund balances:							
July 1, 2004	1,835,529	513,347	525,445	5,890	458,863	368,564	3,707,638
Increase(decrease) in reserve for inventory	-	-	-	-	-	150	150
June 30, 2005	\$ 2,002,815	718,310	309,015	9,128	1,014,594	929,639	4,983,501

North Pike School District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund balances of Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net change in fund balances	\$ 1,275,713
Amounts reported in the Statement of Net Activities (Exhibit B) are different because:	
1. Governmental funds report capital outlay as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$617,164 and the depreciation expense amounted to \$268,720. (Note 5)	348,444
2. 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 6)	38,803
3. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds: Compensated absences	(2,941)
4. Governmental funds recognizes interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	659
5. Proceeds from the sale of assets are reported in the governmental funds as revenues, but only the gain or loss on the sale of assets is reported in the Statement of Activities.	(78)
6. Gains and losses on sale or disposals of assets are not reported directly in the governmental funds, but are reported in the Statement of Activities.	(1,572)
7. Increase in reserve for inventory is reported as a direct increase to fund balance in governmental funds but is reported as a increase to non-instructional expenses in state of activities.	150
Change in net assets of governmental activities	<u>\$ 1,659,178</u>

North Pike School District  
Statement of Fiduciary Net Assets  
June 30, 2005

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 465,235
<b>Total Assets</b>	<u>465,235</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	426,961
Due to student clubs	38,274
<b>Total Liabilities</b>	<u>\$ 465,235</u>

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

NORTH PIKE SCHOOL DISTRICT

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the 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

## NORTH PIKE SCHOOL DISTRICT

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

separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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

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

In the fund financial statements, governmental funds and agency funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and 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.

Sixteenth Section Interest Fund-- This is a Special Revenue Fund. 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.

Transportation Building Fund – This is a Capital Projects Fund. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Three Mill-Ten Year Notes Fund – This is a Debt Service Fund. 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.

Sixteenth Section Principal Fund - This is a permanent fund used to account for resources from sixteenth section lands that are legally restricted to the extent that

NORTH PIKE SCHOOL DISTRICT

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

only earnings, and not the principal, may be used for purposes that support the district's programs.

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.

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

NORTH PIKE SCHOOL DISTRICT

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

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

NORTH PIKE SCHOOL DISTRICT

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

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

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, Long-term debt and other long-term liabilities are reported as liabilities in the governmental column. See Note 6 for details.

K. Interfund Transactions and Balances.

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

NORTH PIKE SCHOOL DISTRICT

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

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, constructions or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

*Fund Financial Statements:*

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

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

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

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

Reserved for capital projects fund - An account that represents that portion of fund balance in the Capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

NORTH PIKE SCHOOL DISTRICT

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

O. Compensated Absences.

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

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

(2) Changes in Accounting Standards

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

(3) Cash and Cash Equivalents.

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 \$4,913,612 and \$465,235 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$3,899,018 and Restricted Assets \$1,014,594. The restricted assets represents the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program. The bank balance was \$5,801,355.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the even of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

NORTH PIKE SCHOOL DISTRICT

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Advances To/From Other Fund:

	<u>Advances To</u>	<u>Advances From</u>
Major funds:		
General fund	\$ 89,071	
Other major funds:		
Three mill ten year notes fund		<u>89,071</u>
Total Funds	<u>\$ 89,071</u>	<u>89,071</u>

The advance from the Three mill ten year note fund to the General Fund is to cover interest paid prior to receiving distribution from the Tax Collector.

B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfer Out</u>
Major funds:		
General fund	\$ 20,900	514,145
Sixteenth Section Interest Fund	26,637	
Transportation Building Fund	555,360	
Sixteenth Section Principal Fund		26,637
Non-major funds:		<u>62,115</u>
Total Funds	<u>\$ 602,897</u>	<u>602,897</u>

The transfers are distribution of interest earned mainly in the Sixteenth Section Principal and Interest Fund. The transfer from District into the Transportation Building Fund was for the Bus Barn Capital Project.

NORTH PIKE SCHOOL DISTRICT

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

(5) Capital Assets.

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

	Balance 07/01/04	Additions	Retirements	Balance 06/30/05
<u>Non-depreciable capital assets:</u>				
Land	\$ 30,593	141,998		172,591
Construction in progress	-	229,255		229,255
Total non-depreciable capital assets	<u>30,593</u>	<u>371,253</u>	<u>-</u>	<u>401,846</u>
<u>Depreciable capital assets:</u>				
Buildings	6,907,857			6,907,857
Improvements other than buildings	331,565			331,565
Mobile equipment	1,215,376	218,800	(16,500)	1,417,676
Furniture and equipment	102,820	27,111		129,931
Leased property under capital leases	-			-
Total depreciable capital assets	<u>8,557,618</u>	<u>245,911</u>	<u>(16,500)</u>	<u>8,787,029</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(1,904,753)	(124,209)		(2,028,962)
Improvements other than buildings	(27,808)	(13,263)		(41,071)
Mobile equipment	(401,571)	(116,853)	14,850	(503,574)
Furniture and equipment	(77,595)	(14,394)		(91,989)
Leased property under capital leases	-			-
Total accumulated depreciation	<u>(2,411,727)</u>	<u>(268,719)</u>	<u>14,850</u>	<u>(2,665,596)</u>
Total depreciable capital assets, net	<u>6,145,891</u>	<u>(22,808)</u>	<u>(1,650)</u>	<u>6,121,433</u>
Governmental activities capital assets, net	<u>\$ 6,176,484</u>	<u>348,445</u>	<u>(1,650)</u>	<u>6,523,279</u>

NORTH PIKE SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 98,644
Support Services	128,327
Non-instructional	<u>41,748</u>
Total depreciation expense	<u>\$ 268,719</u>

Commitments under construction contracts at June 30, 2005 are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Bus Barn Project	\$ 177,241	-
Total	<u>\$ 177,241</u>	<u>-</u>

(6) Long-term liabilities.

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

	<u>Balance 07/01/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/05</u>	<u>Amounts due within one year</u>
A. Three mill notes payable	\$ 997,049		38,803	958,246	40,385
B. Compensated absences payable	53,904	2,942		56,846	1,705
Total	<u>\$ 1,050,953</u>	<u>2,942</u>	<u>38,803</u>	<u>1,015,092</u>	<u>42,090</u>

A. Three mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Three mill note payable	5%	01/09/01	01/20/21	<u>\$ 1,114,000</u>	<u>958,246</u>

NORTH PIKE SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 40,385	48,687	89,071
2007	42,432	46,640	89,072
2008	44,583	44,488	89,071
2009	46,728	42,344	89,071
2010	49,212	39,859	89,071
2011-2015	286,013	159,344	445,357
2016-2020	366,277	79,080	445,357
Thereafter	82,616	4,655	87,271
<b>Total</b>	<b>\$ 958,246</b>	<b>465,096</b>	<b>1,423,342</b>

This debt will be retired from the Three Mill Note Fund.

B. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

**Plan Description.** The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$546,608, \$501,823, and \$451,307, respectively, which equaled the required contributions for each year.

NORTH PIKE SCHOOL DISTRICT

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

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	\$ 29,954
2007	27,832
2008	23,708
2009	18,438
2010	17,928
2011-2015	65,745
2016-2020	47,523
2021-2025	46,873
2026-2030	<u>46,873</u>
Total	<u>\$ 324,874</u>

(9) Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings at present that will have a material adverse effect on the financial condition of the school district.

(10) Subsequent Events.

The school district has plans to construct approximately \$1 million in additional classrooms in 2006. An engineer has been employed; however, the plans are not yet completed and no construction contracts have been issued.

Hurricane Katrina damaged timber on district sixteenth section lands to the extent that salvaging estimates are an approximate \$250,000 return on what would have been a \$1 million timber sale.

NORTH PIKE SCHOOL DISTRICT

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

(11) 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. Settle claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NORTH PIKE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

North Pike School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2005

Schedule 1-A

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,592,174	1,673,071	1,674,948	80,897	1,877
State sources	7,120,296	7,144,141	7,146,919	23,845	2,778
Federal sources	11,500	25,642	25,668	14,142	26
Total revenues	<u>8,723,970</u>	<u>8,842,854</u>	<u>8,847,535</u>	<u>118,884</u>	<u>4,681</u>
<b>Expenditures:</b>					
Instruction	5,458,247	5,523,464	5,468,862	(65,217)	54,602
Support services	2,724,201	2,820,407	2,715,536	(96,206)	104,871
Noninstructional services	2,000	2,800	2,684	(800)	116
Facilities acquisition and construction	5,000	-	141,998	5,000	(141,998)
Total expenditures	<u>8,189,448</u>	<u>8,346,671</u>	<u>8,329,080</u>	<u>(157,223)</u>	<u>17,591</u>
Excess (deficiency) of revenues over expenditures	<u>534,522</u>	<u>496,183</u>	<u>518,455</u>	<u>(38,339)</u>	<u>22,272</u>
<b>Other Financing Sources (Uses):</b>					
Sale of property	-	78	78	78	-
Transfers in	12,400	20,900	20,900	8,500	-
Other financing sources	-	-	141,998	-	141,998
Transfers out	(36,400)	(514,145)	(514,145)	(477,745)	-
Total other financing sources and uses	<u>(24,000)</u>	<u>(493,167)</u>	<u>(351,169)</u>	<u>(469,167)</u>	<u>141,998</u>
Net change in fund balances	<u>510,522</u>	<u>3,016</u>	<u>167,286</u>	<u>(507,506)</u>	<u>164,270</u>
<b>Fund balances:</b>					
July 1, 2004	<u>1,724,550</u>	<u>1,835,529</u>	<u>1,835,529</u>	<u>110,979</u>	<u>-</u>
June 30, 2005	<u>\$ 2,235,072</u>	<u>1,838,545</u>	<u>2,002,815</u>	<u>(396,527)</u>	<u>164,270</u>

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

North Pike School District  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2005

Schedule 1-B

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Sixteenth section sources	\$ 278,270	318,036	320,736	39,766	2,701
Total revenues	<u>278,270</u>	<u>318,036</u>	<u>320,736</u>	<u>39,766</u>	<u>2,700</u>
Expenditures:					
Sixteenth section	26,500	142,631	142,410	(116,131)	221
Total expenditures	<u>26,500</u>	<u>142,631</u>	<u>142,410</u>	<u>(116,131)</u>	<u>221</u>
Excess (deficiency) of revenues over expenditures	<u>251,770</u>	<u>175,405</u>	<u>178,326</u>	<u>(76,365)</u>	<u>2,479</u>
Other Financing Sources (Uses):					
Transfers in	13,738	26,637	26,637	12,899	-
Total other financing sources and uses	<u>13,738</u>	<u>26,637</u>	<u>26,637</u>	<u>12,899</u>	<u>-</u>
Net change in fund balances	<u>265,508</u>	<u>202,042</u>	<u>204,963</u>	<u>(63,466)</u>	<u>2,479</u>
Fund balances:					
July 1, 2004	<u>637,000</u>	<u>513,347</u>	<u>513,347</u>	<u>(123,653)</u>	<u>-</u>
June 30, 2005	<u>\$ 902,508</u>	<u>715,389</u>	<u>718,310</u>	<u>(187,119)</u>	<u>2,479</u>

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

NORTH PIKE SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

NORTH PIKE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT  
 Schedule of Expenditure of Federal Awards  
 For the Year Ended June 30, 2005

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$ 43,029
Child nutrition cluster:		
School breakfast program	10.553	148,820
National school lunch program	10.555	302,620
Total child nutrition cluster		<u>451,440</u>
Total U. S. Department of Agriculture		<u>494,469</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services-vocational rehabilitation grants to states	84.126	270
Total		<u>270</u>
Passed-through Mississippi Department of Education:		
Title I-grants to local educational agencies	84.010	306,341
Vocational education-basic grants to states	84.048	22,164
Safe and drug-free schools and communities-state grants	84.186	18,617
Eisenhower professional development state grants	84.281	27,029
State grants for innovative program	84.298	9,619
Education technology state grants	84.318	10,457
Rural education	84.358	4,404
Improving teacher quality state grants	84.367	59,899
Total		<u>458,530</u>
Special educational cluster:		
Special education-grants to states	84.027	251,299
Special education-preschool grants	84.173	10,587
Total		<u>261,886</u>
Total passed-through Mississippi Department of Education		<u>720,416</u>
Total U. S. Department of Education		<u>720,686</u>
Total for All Federal Awards		<u>\$ 1,215,155</u>

NOTES TO SCHEDULE

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

NORTH PIKE SCHOOL DISTRICT  
 Schedule of Instructional, Administrative and Other Expenditures – Government 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	\$ 7,567,602	5,504,762	711,679	1,351,161
Other	<u>2,893,953</u>	<u>555,847</u>	<u>125,565</u>	<u>2,212,541</u>
Total	<u>10,461,555</u>	<u>6,060,609</u>	<u>837,244</u>	<u>3,563,702</u>
Total number of students	1,719			
Cost per student	<u>\$ 6,086</u>	<u>3,526</u>	<u>487</u>	<u>2,073</u>

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

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

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

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

NORTH PIKE SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

NORTH PIKE SCHOOL DISTRICT

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

September 20, 2005

Superintendent and School Board  
North Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2005, which collectively comprise North Pike School District's basic financial statements and have issued our report thereon dated September 20, 2005. 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 certain matters 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 conditions are described in the Schedule of Findings and Questioned Costs as Finding 05-01 and 05-02.

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 matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

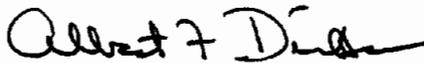
Compliance and Other Matter

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 disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

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

September 20, 2005

Superintendent and School Board  
North Pike School District

Compliance

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

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

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

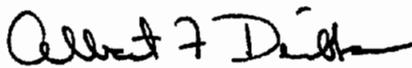
Internal Control Over Compliance

The management of the North Pike 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 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.

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

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

NORTH PIKE SCHOOL DISTRICT

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

September 20, 2005

Superintendent and School Board  
North Pike School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Pike School District as of and for the year ended June 30, 2005, which collectively comprise North Pike School District's basic financial statements and have issued our report thereon dated September 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

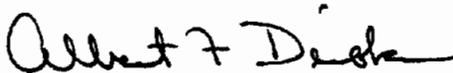
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance of noncompliance. The district reported \$7,005 of classroom supply funds carried over from previous years.

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

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

Sincerely,



Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PIKE SCHOOL DISTRICT

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NORTH PIKE SCHOOL DISTRICT

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

Section 2: Financial Statement Findings

Reportable Conditions Not Considered to be Material Weaknesses.

Reportable Conditions Not Considered to be Material Weaknesses

05-01. Finding

As reported in the prior years' audit report, we noted the following internal control weaknesses during test work performed on general and agency activity and club fund receipts. Transactions were selected for testing from one month from each school of the district:

- Six instances were noted where receipts did not indicate the type of payment received.

Recommendation

We recommend that the district implement policies and procedures to correct the above weaknesses. At a minimum, the district should implement the policies of the *Financial Accounting Manual for Mississippi Public School Districts* in that all receipts, at a minimum, "will contain the date, name of remitter, amount of remittance, type of payment (cash or check), description and the financial accounting code."

05-02. Finding

As reported in the prior years' audit report, we noted internal control weaknesses in our test of general expenditures as follows:

- a. Several invoices exceeded the purchase order amount.
- b. One vendor paid without an invoice.
- c. Two instances of purchase orders dated after invoices.

Recommendation

We recommend the following:

- a. That purchases be monitored in that invoices should not exceed the purchase order amount. The purchase orders should be compared to the budget prior to approval to determine if sufficient funds are available. Only by using this internal control procedure can the school district be assured of not exceeding the budget.
- b. The district should only pay from invoices.
- c. Purchase orders must be secured prior to purchasing due to the budget concerns mentioned in "a" above.

Section 3: Federal Award Findings and Questioned Costs

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

NORTH PIKE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

NORTH PIKE SCHOOL DISTRICT

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# NORTH PIKE SCHOOL DISTRICT

1036 Jaguar Trail • Summit, Mississippi 39666

Ben E. Cox, Ph.D.  
Superintendent

Telephone (601) 276-2216  
Fax (601) 276-3666

## CORRECTIVE ACTION PLAN

October 13, 2005

Mr. Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
P. O. Box 1411  
McComb, MS 39649-1411

Dear Mr. Dribben:

North Pike School District respectfully submits the following corrective action plan for the year ended June 30, 2005.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

### **Section 2: Financial Statement Findings**

Reportable conditions not considered to be material weaknesses:

- 05-1                    Corrective Action Plan Details
- a.                    Name of Contact Person Responsible for Corrective Plan:  
Ben E. Cox, Ph.D., Superintendent; 601-276-2216
  - b.                    Corrective Action Planned:  
North Pike School District employees will submit receipts that include the type of payment received and the name of the person remitting the funds.
  - c.                    Anticipated Completed Date:  
Immediately
- 05-2                    Corrective Action Plan Details
- a.                    Name of Contact Person Responsible for Corrective Plan:  
Ben E. Cox, Ph.D., Superintendent; 601-276-2216

- b. Corrective Action Planned:  
All purchases are compared to the purchase order. If the purchase exceeds the purchase order by more than \$50 the superintendent must approve the change. The budget is monitored along with purchase orders and invoices to ensure that the budget is not being exceeded. More controls will be monitored for activity fund purchases.
  
- c. Anticipated Completed Date:  
Immediately

Sincerely,

  
Ben E. Cox