



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.

**POPLARVILLE SPECIAL MUNICIPAL
SEPARATE SCHOOL DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2005

King CPA, PLLC

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2005

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
POPLARVILLE, MISSISSIPPI

BOARD OF TRUSTEES

Janice Boone
Shirline Magee
Larry Head
Curt Stansy
Violine Jordan

SUPERINTENDENT

Glyde Y. Fitzpatrick

Director of Finance

Samantha J. Kirschbaum, CPA

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
Table of Contents

FINANCIAL AUDIT REPORT	
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
FINANCIAL STATEMENTS	
EXHIBIT A: Statement of Net Assets	17
EXHIBIT B: Statement of Activities	18
EXHIBIT C: Balance Sheet – Governmental Funds	19
EXHIBIT C-1: Reconciliation of Governmental Funds to the Statement of Net Assets	20
EXHIBIT D: Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
EXHIBIT D-1: Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
EXHIBIT E: Statement of Net Assets – Fiduciary Funds	23
NOTES TO THE FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule 1A: Budgetary Comparison Schedule for the General Fund	41
Schedule 1B: Budgetary Comparison Schedule for the Food Service Fund	42
Schedule 1C: Budgetary Comparison Schedule for the Title I-A Fund	43
Schedule 1D: Budgetary Comparison Schedule for the Sixteenth Section Fund	44
Notes to the Required Supplementary Information	45
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	47
Schedule of Instructional Expenses	48
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	
Independent Auditors' 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 <u>Government Auditing Standards</u>	49
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	52
Independent Auditors' Report on Compliance with State Laws and Regulations	55
Schedule of Findings and Questioned Costs	57
AUDITEE'S REPORTS	
Auditee's Corrective Action Plan	59
Auditee's Summary Schedule of Prior Audit Findings	61

American Institute of
Certified Public Accountants

King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of
Certified Public Accountants

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

December 28, 2005

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2005, which collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Poplarville Special Municipal Separate School District's management. Our responsibility is to express an opinion 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 financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate 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 December 28, 2005 on our consideration of the Poplarville Special Municipal Separate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 6 through 15 and the Budgetary Comparison Schedule and corresponding notes on page 40 through 45 are not a required part of the basic financial statements but are supplementary information required by the Government 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 performed for the purpose of forming an opinion on the financial statements that collectively comprise the Poplarville Special Municipal Separate School District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2005

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(MD&A)**

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of the Poplarville Special Municipal Separate 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.

Poplarville Special Municipal Separate School District, organized in 1955, is located in Poplarville, Mississippi, the county seat of Pearl River County. A five-member board of trustees appointed by the Pearl River County Board of Supervisors and the Poplarville Board of Aldermen governs the school district. The trustees serve five year staggered terms. The board appoints the superintendent

Poplarville is located on Interstate 59, 75 miles north of New Orleans, Louisiana and 50 miles from the Mississippi Gulf Coast. Poplarville's climate offers a mild winter, pleasant spring and fall and summer sun that encourage outdoor summer activities. Pearl River Community College, the oldest 2-year college in Mississippi, is also located in Poplarville. The college serves over 4,000 students.

Poplarville Special Municipal Separate School District (PSMSSD) serves approximately 25% of the students in Pearl River County, Mississippi. The present enrollment is 2,078 students. One of the largest geographic districts in the state, PSMSSD encompasses 498 square miles. The district serves over 9,400 citizens in the incorporated town of Poplarville and the unincorporated communities of Steep Hollow, Gum Pond, Buck Branch, Fords Creek, Byrdline, White Sand, Progress, Savannah, Harts Chapel, Oak Hill and Crossroads. Approximately 1400 students are transported on 27 buses to four schools in the district.

The four schools in the district are located in the town of Poplarville less than two miles apart. The four schools with enrollment are listed as follows: Poplarville Lower Elementary School grades k-2 serves 501 students, Poplarville Upper Elementary School grades 3-5 serves 487 students, Middle School of Poplarville grades 6-8 serves 538 students and Poplarville High School grades 9-12 serves 552 students. These schools are staffed by 168 certified staff and 117 non-certified staff members. Fifty-one percent (51%) of the teachers have advanced degrees. The student attendance rate is ninety-seven percent (97%). The graduation rate is ninety-two percent (92%).

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,460,123, which represents 13.08% increase from fiscal year 2004.
- General revenues account for \$12,519,863 in revenue, or 79.72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,184,819 or 20.28% of total revenues.
- The District had \$14,244,559 in expenses; \$3,184,819 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,519,863 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,694,176 in revenues and \$10,656,532 in expenditures. The General Fund's fund balance increased \$654,186 over the prior year as a result of reducing capital outlays and increasing local revenues.
- Capital assets, net of accumulated depreciation, increased by \$49,278 as a result of capital outlays for land, mobile equipment, furniture and equipment.
- Long-term debt *decreased* by \$344,000 as a result of principal 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.

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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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 in Exhibits A and B 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 Exhibit C-1 and D-1, respectively, of this report.

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.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The basic governmental fund financial statements can be found in Exhibits C and D 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 Exhibit E: Statement of Net Assets – Fiduciary Funds.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 39 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found in Schedules 1A, 1B, 1C and 1D of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is required by the Mississippi Office of the State Auditor which can be found on pages 47 and 48, respectively, 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 \$12,618,940 as of June 30, 2005.

By far the largest portion of the District's net assets (42.88%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), 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.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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

The following table presents a summary of the District's net assets as of June 30, 2004 and 2005, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>Change</u>
Current assets	\$ 6,568,262	\$ 7,478,937	13.9 %
Capital assets, net	7,964,776	8,014,054	0.6 %
Total assets	<u>14,533,038</u>	<u>15,492,991</u>	6.6 %
Current liabilities	685,131	531,137	(22.5)%
Long-term debt outstanding	<u>2,689,090</u>	<u>2,342,914</u>	(12.9)%
Total liabilities	<u>3,374,221</u>	<u>2,874,051</u>	(14.8)%
Net assets:			
Invested in capital assets, net of related debt	5,017,776	5,411,054	7.8 %
Restricted	4,829,385	5,245,868	8.6 %
Unrestricted	<u>1,311,656</u>	<u>1,962,018</u>	49.6 %
Total net assets	<u>\$ 11,158,817</u>	<u>12,618,940</u>	13.1 %

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

- The principal retirement of \$344,000 of long-term debt.
- Building projects funds of \$250,000 were transferred from the general fund for additions and renovations to the existing school premises.
- Accrued payroll in the amount of \$554,568 was transferred to the payroll clearing fund prior to fiscal year end.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$15,704,682. The total cost of all programs and services was \$14,244,559.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2004 and 2005.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2004</u>	<u>June 30, 2005</u>	
Revenues:			
Program revenues	\$ 2,910,972	\$ 3,184,819	9.4 %
General revenues	<u>12,136,251</u>	<u>12,519,863</u>	3.2 %
Total revenues	<u>15,047,223</u>	<u>15,704,682</u>	4.4 %
Expenses:			
Instruction	7,666,015	8,431,662	10.0 %
Support services	4,835,250	4,784,318	(1.1)%
Non-instructional	868,830	868,459	(0.1)%
Sixteenth section	61,604	30,136	(51.1)%
Interest on long-term liabilities	<u>145,531</u>	<u>129,984</u>	(10.7)%
Total expenses	<u>13,577,230</u>	<u>14,244,559</u>	4.9 %
Increase in net assets	<u>\$ 1,469,993</u>	<u>\$ 1,460,123</u>	(0.7)%

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

- Increase in investment earnings of \$143,925 as a result from an increase in interest rates.
- Increase in sixteenth section earnings of \$124,471 as a result from an increase in leases and timber sales.
- Increase in tax levies of \$146,904 from new property, reappraisals, and three mill note. The additional levies were used to fund local paid staff pay raises, capital projects and other increase in costs, such as utilities.
- Increase in salary expenses were incurred due to the eight percent state mandated pay raise for licensed employees and district implemented an average five percent pay raise for remaining personnel. However, expenses were reduced in other areas to fund a portion of the pay raises.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt for fiscal years ending June 30, 2004 and June 30, 2005. 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.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

	Total Expenses		Percentage	Net Expense		Percentage
	2004	2005	Change	2004	2005	Change
Instruction	\$ 7,666,015	\$ 8,431,662	10.0 %	\$ 6,269,357	\$ 6,879,809	9.7 %
Support Services	4,835,250	4,784,318	(1.1)%	4,149,224	4,013,792	(3.3)%
Non-instructional	868,830	868,459	(0.1)%	43,116	30,615	(29.0)%
Sixteenth Section	61,604	30,136	(51.1)%	59,030	5,540	(90.6)%
Interest on long-term liabilities	145,531	129,984	(10.7)%	145,531	129,984	(10.7)%
Total expenses	\$13,577,230	\$14,244,559	4.9 %	\$ 10,666,258	\$11,059,740	3.7%

- Net cost of governmental activities increased 3.7 percent to \$11,059,740, which was financed by general revenue. General revenue is made up of primarily property taxes \$3,713,427 and unrestricted state grants and contributions \$8,077,072.
- Investment earnings accounted for \$268,200 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,339,429, an increase of \$1,060,647, a result of adequate education being funded more than projected and ad valorem collections on new property was more than projected. \$7,153,238 or 97.5% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$186,191 or 2.5% is reserved or designated to indicate that it is not available for spending because it has already been committed. Areas of commitment are sixteenth section advances and inventory.

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 \$654,186, a result of a reduction in capital outlays and an increase in local revenues. The School Food Service Fund showed an increase in fund balance of \$6,910. The fund balance of the Sixteenth Section Interest Fund showed an increase of \$289,005 resulting from leases, timber sales and interest income. The Building Projects Fund showed an increase of \$39,699 resulting from an operating transfer from the General Fund for additions and renovations to existing premises. The fund balance of Other Governmental Funds

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

showed an increase of \$75,217, a result of local source contributions not expended as of the fiscal year end.

BUDGETARY HIGHLIGHTS

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

- Budgeted expenditure amounts for instruction and support services in the General Fund were reduced due to these expenditures being paid from other governmental funds.
- Budgeted expenditure amounts for instruction and support services in the Title I-A Fund were increased to allow for additional costs by the grant. The original budgeted revenue amount was underestimated; therefore, resulting in an underestimate of expenditures.
- Budgeted amounts for operating transfers to building projects were increased due primarily to additional school construction being approved in the current fiscal 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 special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$12,048,105, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$360,351 from the previous year as a result of capital outlays of land, mobile equipment, furniture and equipment. Total accumulated depreciation as of June 30, 2005 was \$4,034,051 and total depreciation expense for the year was \$333,383, resulting in total net capital assets of \$8,014,054.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2004</u>	<u>2005</u>	
Land	\$ 89,294	\$ 299,595	235.5 %
Buidings	6,969,329	6,807,967	(2.3)%
Building improvements	36,360	34,845	(4.2)%
Improvements other than buildings	82,802	79,090	(4.5)%
Mobile equipment	677,208	670,612	(1.0)%
Furniture and Equipment	109,783	121,945	11.1 %
Total	\$ 7,964,776	\$ 8,014,054	0.6 %

Additional information of the District's capital assets can be found in Note (4) of this report.

Debt Administration. At June 30, 2005, the District had \$2,692,914 in limited obligation bonds, three mill fifteen year note and other long-term debt outstanding, of which \$350,000 is due within one year.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

	Outstanding Debt		Percentage Change
	2004	2005	
Limited obligation bonds payable	\$ 1,175,000	\$ 955,000	(18.7)%
Three mill notes payable	1,772,000	1,648,000	(7.0)%
Compensated absences payable	86,090	89,914	4.5 %
Total	\$ 3,033,090	\$ 2,692,914	(11.2)%

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

CURRENT ISSUES

The Poplarville Special Municipal Separate 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 operational millage has decreased by 0.85 mills over five years. The total millage has increased by 2.15 mills over five years. Three mills are for repayment of a fifteen year note for school construction and renovation. 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 in the District will increase approximately 40 students. The budget for the next fiscal year has taken into account this addition in both funding and staffing needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Poplarville Special Municipal Separate School District, 804 South Julia Street, Poplarville, MS 39470.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

EXHIBIT A

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,693,120
Due from other governments	442,178
Other receivables, net	93,334
Inventories and prepaid items	31,891
Restricted assets	218,414
Capital assets, net	<u>8,014,054</u>
Total Assets	<u>15,492,991</u>
LIABILITIES	
Accounts payable and accrued liabilities	132,882
Deferred revenue	6,626
Interest payable on long-term debt	41,629
Long-term liabilities (due within one year)	
Capital-related liabilities	350,000
Long-term liabilities (due beyond one year)	
Capital-related liabilities	2,253,000
Non-capital related liabilities	<u>89,914</u>
Total Liabilities	<u>2,874,051</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,411,054
Restricted net assets	
Expendable:	
School-based activities	1,830,890
Debt service	264,003
Capital improvements	2,720,546
Forestry improvements	6,280
Unemployment benefits	51,435
Non-expendable:	
Sixteenth section	372,714
Unrestricted	<u>1,962,018</u>
Total Net Assets	<u>\$ 12,618,940</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT B

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
					<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ 8,431,662	\$ 254,164	\$ 1,297,689	\$ -	\$ (6,879,809)
Support services	4,784,318	-	770,526	-	(4,013,792)
Non-instructional services	868,459	229,143	608,701	-	(30,615)
Sixteenth section	30,136	24,596	-	-	(5,540)
Interest and other charges related to long-term liabilities	129,984	-	-	-	(129,984)
Total Governmental Activities	<u>\$ 14,244,559</u>	<u>\$ 507,903</u>	<u>\$ 2,676,916</u>	<u>\$ -</u>	<u>\$ (11,059,740)</u>
General Revenues:					
Taxes:					
General purpose levies					3,509,730
Debt purpose levies					203,698
Unrestricted grants and contributions:					
State					8,077,072
Federal					63,631
Unrestricted investment earnings					268,201
Sixteenth section sources					242,138
Other					155,393
Total General Revenues					<u>12,519,863</u>
Change in Net Assets					1,460,123
Net Assets - Beginning					<u>11,158,817</u>
Net Assets - Ending					<u>\$ 12,618,940</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2005

EXHIBIT C

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I-A Fund	Sixteenth Section Interest Fund	Building Projects Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 1,722,777	\$ 114,035	\$ -	\$ 1,246,787	\$ 2,720,546	\$ 1,107,389	\$ 6,911,534
Due from other governments	255,069	-	67,954	-	-	119,155	442,178
Due from other funds	313,425	-	-	15,102	-	750	329,277
Advances to other funds	-	-	-	-	-	154,300	154,300
Inventories and prepaid items	-	31,891	-	-	-	-	31,891
Total Assets	\$ 2,291,271	\$ 145,926	\$ 67,954	\$ 1,261,889	\$ 2,720,546	\$ 1,381,594	\$ 7,869,180
LIABILITIES & FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 85,039	\$ 5,115	\$ 5,612	\$ 26,521	\$ -	\$ 10,595	\$ 132,882
Due to other funds	-	60,565	62,342	750	-	112,286	235,943
Advances from other funds	154,300	-	-	-	-	-	154,300
Deferred revenue	-	-	-	-	-	6,626	6,626
Total Liabilities	239,339	65,680	67,954	27,271	-	129,507	529,751
Fund balances:							
Reserved for:							
Advances	-	-	-	-	-	154,300	154,300
Inventory	-	31,891	-	-	-	-	31,891
Unreserved, undesignated, reported in:							
General fund	2,051,932	-	-	-	-	-	2,051,932
Special revenue funds	-	48,355	-	1,234,618	-	573,741	1,856,714
Capital project funds	-	-	-	-	2,720,546	-	2,720,546
Debt service funds	-	-	-	-	-	305,632	305,632
Permanent funds	-	-	-	-	-	218,414	218,414
Total Fund Balances	2,051,932	80,246	-	1,234,618	2,720,546	1,252,087	7,339,429
Total Liabilities & Fund Balances	\$ 2,291,271	\$ 145,926	\$ 67,954	\$ 1,261,889	\$ 2,720,546	\$ 1,381,594	\$ 7,869,180

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

**POPLARVILLE SEPARATE MUNICIPAL SPECIAL SCHOOL DISTRICT
 RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005**

EXHIBIT C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit C)	\$ 7,339,429
Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,034,051	8,014,054
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Long-term debt	(2,603,000)
Compensated Absences	(89,914)
Interest payable on long-term debt	<u>(41,629)</u>
Total Net Assets - Governmental Activities (Exhibit A)	<u>\$ 12,618,940</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

EXHIBIT D

	Major Funds						Total Governmental Funds
	General Fund	School Food Service Fund	Title I-A Funds	Sixteenth Section Interest Funds	Building Projects Funds	Other Governmental Funds	
REVENUES							
Local sources	\$ 3,984,659	\$ 238,342	\$ -	\$ -	\$ -	\$ 338,342	\$ 4,561,343
State sources	7,652,293	4,931	-	-	-	933,275	8,590,499
Federal sources	57,224	676,184	561,956	-	-	931,757	2,227,121
Sixteenth section sources	-	-	-	283,065	-	40,760	323,845
Total Revenues	<u>11,694,176</u>	<u>919,457</u>	<u>561,956</u>	<u>283,065</u>	<u>-</u>	<u>2,244,134</u>	<u>15,702,808</u>
EXPENDITURES							
Instruction	6,741,872	-	433,154	-	-	1,099,640	8,274,666
Support services	3,860,510	112,299	105,678	-	-	708,032	4,766,519
Non-instructional services	47,621	805,032	10,124	-	-	-	862,777
Sixteenth section	-	-	-	8,182	-	20,964	30,136
Facilities acquisition and construction	-	-	-	-	210,301	-	210,301
Debt Service:							
Principal	-	-	-	-	-	344,000	344,000
Interest	6,529	-	-	-	-	129,107	135,636
Total Expenditures	<u>10,658,532</u>	<u>917,331</u>	<u>548,956</u>	<u>8,182</u>	<u>210,301</u>	<u>2,301,733</u>	<u>14,644,035</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,037,644</u>	<u>2,126</u>	<u>13,000</u>	<u>273,903</u>	<u>(210,301)</u>	<u>(57,599)</u>	<u>1,058,773</u>
OTHER FINANCING SOURCES (USES)							
Insurance loss recoveries	1,874	-	-	-	-	-	1,874
Operating transfers in	133,000	414	-	22,446	250,000	268,332	674,192
Operating transfers out	(518,332)	-	(13,000)	(7,344)	-	(135,516)	(674,192)
Total Other Financing Sources (Uses)	<u>(383,458)</u>	<u>414</u>	<u>(13,000)</u>	<u>15,102</u>	<u>250,000</u>	<u>132,816</u>	<u>1,874</u>
Net change in fund balances	654,186	2,540	-	289,005	39,699	75,217	1,060,647
Fund Balances---July 1, 2004	1,397,746	73,336	-	945,613	2,880,847	1,176,870	6,274,412
Increase in reserve for inventory	-	4,370	-	-	-	-	4,370
Fund Balances---June 30, 2005	<u>\$ 2,051,932</u>	<u>\$ 80,246</u>	<u>\$ -</u>	<u>\$ 1,234,618</u>	<u>\$ 2,720,546</u>	<u>\$ 1,252,087</u>	<u>\$ 7,339,429</u>

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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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 - Governmental Funds (Exhibit D)	\$ 1,060,647
Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:	
Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the statement of activities. Instead, costs associated with capital assets are capitalized in the statement of net assets.	382,886
Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their estimated useful lives in the statement of activities.	(333,383)
In the statement of activities, only gains and losses from the disposal of capital assets are reported, whereas in governmental funds, proceeds from the sale or disposal of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:	
Losses on the disposal of capital assets	(225)
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 net assets.	344,000
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. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences	(3,824)
Accrued interest on bonds	5,652
In the governmental funds, the change in reserve for inventory is disclosed as a separate item affecting fund balance; however, in the statement of activities it is adjusted against non-instructional expenses.	<u>4,370</u>
Change in Net Assets of Governmental Activities (Exhibit B)	<u>\$ 1,460,123</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2005

EXHIBIT E

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 708,829
Due from other funds	-
Total Assets	<u>\$ 708,829</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 562,401
Due to student clubs	53,094
Due to other funds	93,334
Total Liabilities	<u>\$ 708,829</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Poplarville, Mississippi since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school 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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

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

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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

School Food Service Fund – This is a special revenue fund used to account for the school district’s revenues earned and expenditures incurred through the Child Nutrition Cluster federal grant monies, state monies and daily sales.

Title I-A – This is a special revenue fund used to account for the school district’s revenues earned and expenditures incurred through Title I-A federal grant monies.

Sixteenth Section Interest Fund – This is a special revenue fund used to account for the school district’s earnings from sixteenth section property and investments. These funds may be used for purposes that support the school district.

Building Projects Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand 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).

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005

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.

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

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

J. Long-term Liabilities.

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

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 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, 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."

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

Fund Financial Statements:

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

(2) Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,911,534 and \$708,829, respectively. The carrying amount of deposits reported in the government-wide statements was Cash and cash equivalents of \$6,693,120 and Restricted assets of \$218,414. The Restricted assets represent the cash balance in the Sixteenth Section Principal Funds (permanent funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$7,795,692.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2005, \$7,659,817 of the district's bank balance of \$7,795,692 was exposed to custodial credit risk.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2005

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	Due From	Due To
Major funds:		
General fund	\$ 313,425	\$ 0
School food service fund	0	60,565
Title I-A fund	0	62,342
Sixteenth section fund	15,102	750
Non-major funds	750	112,286
Fiduciary funds	0	93,334
Total Funds	\$ 329,277	\$ 329,277

The balances between funds result mainly from the time lag between the date the expenditures are incurred and the date the reimbursement is received from the funding source. The general fund finances these expenditures until the funds are reimbursed.

B. Advances To/From Other Funds:

	Advances To	Advances From
Major funds:		
General fund	\$ 0	\$ 154,300
Non-major funds	154,300	0
Total Funds	\$ 154,300	\$ 154,300

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 9,280	\$ 6,172	\$ 15,452
2007	9,651	5,801	15,452
2008	10,037	5,415	15,452
2009	10,439	5,013	15,452
2010	10,856	4,596	15,452
2011 – 2015	61,155	16,106	77,261
2016 – 2018	42,882	3,475	46,357
Total	\$ 154,300	\$ 46,578	\$ 200,878

C. Transfers In/Out.

	Transfer In	Transfers Out
Major funds:		
General fund	\$ 133,000	\$ 518,332
School food service fund	414	0
Title I-A fund	0	13,000
Sixteenth section fund	22,446	7,344
Building projects fund	250,000	0
Non-major Funds	268,332	135,516
Total Funds	\$ 674,192	\$ 674,192

Transfers are used primarily to move unrestricted general fund monies to finance various programs and projects accounted for in other funds.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

(4) Capital Assets.

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

	<u>Balance</u> <u>7-1-2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6-30-2005</u>
<u>Non-depreciable capital</u>				
<u>assets:</u>				
Land	\$ 89,294	\$ 210,301	\$ 0	\$ 299,595
Total non-depreciable capital assets	<u>89,294</u>	<u>210,301</u>	<u>0</u>	<u>299,595</u>
<u>Depreciable capital</u>				
<u>assets:</u>				
Buildings	9,264,347	0	0	9,264,347
Building	37,875	0	0	37,875
improvements				
Improvements other than buildings	92,819	0	0	92,819
Mobile equipment	1,531,669	107,170	0	1,638,839
Furniture and equip	671,750	65,415	22,535	714,630
Total depreciable capital assets	<u>11,598,460</u>	<u>172,585</u>	<u>22,535</u>	<u>11,748,510</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,295,018	161,362	0	2,456,380
Building	1,515	1,515	0	3,030
improvements				
Improvements other than buildings	10,017	3,712	0	13,729
Mobile equipment	854,461	113,766	0	968,227
Furniture and equip	561,967	53,028	22,310	592,685
Total accumulated depreciation	<u>3,722,978</u>	<u>333,383</u>	<u>22,310</u>	<u>4,034,051</u>
Total depreciable capital assets, net	<u>7,875,482</u>	<u>(160,798)</u>	<u>225</u>	<u>7,714,459</u>
Governmental activities capital assets, net	<u>\$ 7,964,776</u>	<u>\$ 49,503</u>	<u>\$ 225</u>	<u>\$ 8,014,054</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 170,428
Support services	151,444
Non-instructional	11,511
Total depreciation expense	<u>\$ 333,383</u>

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**Notes to the Financial Statements
For the Year Ended 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. Limited obligation bonds payable	\$ 1,175,000	\$ 0	\$ 220,000	\$ 955,000	\$ 220,000
B. Three mill notes payable	1,772,000	0	124,000	1,648,000	130,000
C. Compensated absences payable	86,090	3,824	0	89,914	0
Total	\$ 3,033,090	\$ 3,824	\$ 344,000	\$ 2,692,914	\$ 350,000

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bond, Series 1998	Varies	05-22-98	08-01-08	\$ 2,090,000	\$ 955,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 220,000	\$ 37,194	\$ 257,194
2007	235,000	27,268	262,268
2008	245,000	16,738	261,738
2009	255,000	5,674	260,674
Total	\$ 955,000	\$ 86,874	\$ 1,041,874

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the state of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Fund.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax School Note	4.65%	04-04-02	04-01-17	\$ 2,000,000	\$ 1,648,000

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 130,000	\$ 76,632	\$ 206,632
2007	128,000	70,587	198,587
2008	128,000	64,635	192,635
2009	126,000	58,683	184,683
2010	130,000	52,824	182,824
2011 – 2015	702,000	170,934	872,934
2016 – 2017	304,000	21,297	325,297
Total	\$ 1,648,000	\$ 515,592	\$ 2,163,592

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

C. Compensated absences payable.

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

(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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

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 \$827,193, \$758,768, and \$711,847, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2006	\$ 60,435
2007	41,629
2008	31,120
2009	22,271
2010	15,080
2011 – 2015	75,400
2016 – 2020	61,200
2021 – 2025	880
Total	<u>\$ 308,015</u>

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 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 in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance, which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(9) Subsequent Events.

On August 29, 2005 Hurricane Katrina passed through the State of Mississippi. Poplarville Special Municipal Separate School District suffered significant damage to its property, buildings and equipment as a result of this hurricane. The estimated cost of the damage as of the date of this report is approximately \$1,400,000. The district is currently in the process of filing claims with its insurance carrier, MEMA and FEMA. The district expects its damages to be covered, however an estimate of the district's uncovered losses is approximately \$165,000 at this time.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2005**

SCHEDULE 1A

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 3,941,700	\$ 3,951,100	\$ 3,984,659	\$ 9,400	\$ 33,559
State sources	7,415,082	7,415,082	7,652,293	-	237,211
Federal sources	40,000	40,000	57,224	-	17,224
Total Revenues	11,396,782	11,406,182	11,694,176	9,400	287,994
EXPENDITURES					
Instruction	6,930,671	6,857,171	6,741,872	73,500	115,299
Support services	4,096,219	3,979,219	3,860,510	117,000	118,709
Non-instructional services	74,000	60,000	47,621	14,000	12,379
Debt Service:					
Interest	6,529	6,529	6,529	-	-
Total Expenditures	11,107,419	10,902,919	10,656,532	204,500	246,387
Excess (deficiency) of Revenues over (under) Expenditures	289,363	503,263	1,037,644	213,900	534,381
OTHER FINANCING SOURCES (USES)					
Insurance loss recoveries	-	-	1,874	-	1,874
Operating transfers in	180,358	180,358	133,000	-	(47,358)
Operating transfers out	(294,381)	(569,281)	(518,332)	(274,900)	50,949
Total Other Financing Sources (Uses)	(114,023)	(388,923)	(383,458)	(274,900)	5,465
Net change in fund balances	175,340	114,340	654,186	(61,000)	539,846
Fund Balances—July 1, 2004	1,240,000	1,397,746	1,397,746	157,746	-
Fund Balances—June 30, 2005	\$ 1,415,340	\$ 1,512,086	\$ 2,051,932	\$ 96,746	\$ 539,846

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL FOOD SERVICE FUND
 FOR THE YEAR ENDEND JUNE 30, 2005

SCHEDULE 1B

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 240,900	\$ 240,900	\$ 238,342	\$ -	\$ (2,558)
State sources	5,000	5,000	4,931	-	(69)
Federal sources	<u>603,300</u>	<u>603,300</u>	<u>676,184</u>	-	<u>72,884</u>
Total Revenues	<u>849,200</u>	<u>849,200</u>	<u>919,457</u>	-	<u>70,257</u>
EXPENDITURES					
Support services	97,835	114,935	112,299	(17,100)	2,636
Non-instructional services	<u>777,832</u>	<u>805,332</u>	<u>805,032</u>	<u>(27,500)</u>	<u>300</u>
Total Expenditures	<u>875,667</u>	<u>920,267</u>	<u>917,331</u>	<u>(44,600)</u>	<u>2,936</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>(26,467)</u>	<u>(71,067)</u>	<u>2,126</u>	<u>(44,600)</u>	<u>73,193</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	500	414	500	(86)
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	<u>500</u>	<u>414</u>	<u>500</u>	<u>(86)</u>
Net change in fund balances	<u>(26,467)</u>	<u>(70,567)</u>	<u>2,540</u>	<u>(44,100)</u>	<u>73,107</u>
Fund Balances—July 1, 2004	30,000	73,336	73,336	43,336	-
Increase in reserve for Inventory			4,370		4,370
Fund Balances—June 30, 2005	<u>\$ 3,533</u>	<u>\$ 2,769</u>	<u>\$ 80,246</u>	<u>\$ (764)</u>	<u>\$ 77,477</u>

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I-A FUND
 FOR THE YEAR ENDING JUNE 30, 2005

SCHEDULE 1C

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Federal sources	\$ 520,560	\$ 520,560	\$ 561,956	\$ -	\$ 41,396
Total Revenues	520,560	520,560	561,956	-	41,396
EXPENDITURES					
Instruction	367,098	434,098	433,154	(67,000)	944
Support services	81,466	106,666	105,678	(25,200)	988
Non-instructional services	61,340	11,474	10,124	49,866	1,350
Total Expenditures	509,904	552,238	548,956	(42,334)	3,282
Excess (deficiency) of Revenues over (under) Expenditures	10,656	(31,678)	13,000	(42,334)	44,678
OTHER FINANCING SOURCES (USES)					
Operating transfers out	(14,000)	(14,000)	(13,000)	-	1,000
Total Other Financing Sources (Uses)	(14,000)	(14,000)	(13,000)	-	1,000
Net change in fund balances	(3,344)	(45,678)	-	(42,334)	45,678
Fund Balances--July 1, 2004	-	-	-	-	-
Fund Balances--June 30, 2005	\$ (3,344)	\$ (45,678)	\$ -	\$ (42,334)	\$ 45,678

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

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE FOR THE SIXTEENTH SECTION FUND
 FOR THE YEAR ENDEND JUNE 30, 2005**

SCHEDULE 1D

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Sixteenth section sources	\$ 224,675	\$ 224,675	\$ 283,085	\$ -	\$ 58,410
Total Revenues	224,675	224,675	283,085	-	58,410
EXPENDITURES					
Sixteenth section	20,300	14,900	9,182	5,400	5,718
Total Expenditures	20,300	14,900	9,182	5,400	5,718
Excess (deficiency) of Revenues over (under) Expenditures	204,375	209,775	273,903	5,400	64,128
OTHER FINANCING SOURCES (USES)					
Operating transfers in	20,400	24,200	22,446	3,800	(1,754)
Operating transfers out	(7,400)	(9,000)	(7,344)	(1,600)	1,656
Total Other Financing Sources (Uses)	13,000	15,200	15,102	2,200	(98)
Net change in fund balances	217,375	224,975	289,005	7,600	64,030
Fund Balances—July 1, 2004	900,000	945,613	945,613	45,613	-
Fund Balances—June 30, 2005	\$ 1,117,375	\$ 1,170,588	\$ 1,234,618	\$ 53,213	\$ 64,030

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 revision

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.

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

POPLARVILLE SPECIAL MUNICIPAL SEPARATE 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	\$ 55,433
Child nutrition cluster		
School breakfast program	10.553	166,210
National school lunch program	10.555	454,541
Total child nutrition cluster		620,751
Total U.S. Department of Agriculture		676,184
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title 1 - grants to local educational agencies	84.010	596,956
Vocational education - basic grants to states	84.048	27,192
Safe and drug-free schools and communities - state grants	84.186	12,383
State grants for innovative programs	84.298	9,522
Education enhancement	84.318	19,628
Comprehensive school reform demonstration	84.332	65,000
Transaction to teaching	84.350	1,400
Rural education achievement program	84.358	83,656
Improving teacher quality - state grants	84.367	130,007
Total		945,744
Special education cluster:		
Special education - grants to states	84.027	424,417
Special education - preschool grants	84.173	21,671
Total		446,088
Total passed-through Mississippi Department of Education		1,391,832
Total U.S. Department of Education		1,391,832
<u>Federal Emergency Management Administration</u>		
Passed-through Mississippi Emergency Management Agency:		
Public assistance grant	83.544	\$ 192
<u>U S Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Abstinence education	93.235	\$ 65,929
Medical assistance program	93.778	29,352
Total passed-through Mississippi Department of Health and Human Services		95,281
<u>Corporation for National and Community Service</u>		
Passed-through Mississippi Department of Education:		
Learn and serve America-school and community based program	94.004	\$ 8,000
Total for All Federal Awards		\$ 2,171,489

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies used for the financial statements.
2. The expenditure amounts include transfers out.

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDEND JUNE 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,070,196	\$ 7,474,454	\$ 1,222,536	\$ 2,373,206
Other	<u>3,573,839</u>	<u>800,212</u>	<u>151,346</u>	<u>2,622,281</u>
Total	<u>\$ 14,644,035</u>	<u>\$ 8,274,666</u>	<u>\$ 1,373,882</u>	<u>\$ 4,995,487</u>
Total number of students *	1,934			
Cost per student	<u>\$ 7,572</u>	<u>\$ 4,279</u>	<u>\$ 710</u>	<u>\$ 2,583</u>

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

American Institute of
Certified Public Accountants

King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of
Certified Public Accountants

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2005, which collectively comprise the Poplarville Special Municipal Separate School District basic financial statements and have issued our report thereon dated December 28, 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2005

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

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

American Institute of
Certified Public Accountants

King CPA, PLLC

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Mississippi Society of
Certified Public Accountants

Superintendent and School Board
Poplarville Special Municipal Separate School District

Compliance

We have audited the compliance of the Poplarville Special Municipal Separate 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, Poplarville Special Municipal Separate 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 Poplarville Special Municipal Separate 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.

King CPA, PLLC

KING CPA, PLLC
Petal, Mississippi
December 28, 2005

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

American Institute of
Certified Public Accountants

King CPA, PLLC

Mississippi Society of
Certified Public Accountants

206 Hwy 42 P.O. Box 1182

Petal, MS 39465

Telephone 601-544-9795....Fax 601-544-9793

Superintendent and School Board
Poplarville Special Municipal Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Poplarville Special Municipal Separate School District as of and for the year ended June 30, 2005, which collectively comprise the school district's basic financial statements and have issued our report thereon dated December 28, 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 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 \$14,006 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 other instances of noncompliance with state laws and regulations.

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

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

King CPA, PLLC
KING CPA, PLLC
Petal, Mississippi
December 28, 2005

**POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|--------------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | <u>UNQUALIFIED</u> |
| 2. Material noncompliance relating to the general purpose financial statements? | <u>NO</u> |
| 3. Internal control over financial reporting: | |
| a. Material weakness (es) identified? | <u>NO</u> |
| b. Reportable condition(s) identified that are not considered to be material weakness? | <u>NO</u> |

Federal Awards:

- | | |
|---|--------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>UNQUALIFIED</u> |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | <u>NO</u> |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | <u>NO</u> |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | <u>NO</u> |
| 7. Federal programs identified as major programs: | |
| Child Nutrition Cluster | |
| School Breakfast Program (SBP) CFDA # | <u>10.553</u> |
| National School Lunch Program (NSLP) CFDA # | <u>10.555</u> |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>YES</u> |
| 10. Prior fiscal year audit finding(s) and questioned cost reactive to federal awards which would require the auditee to prepare a summary schedule of prior audits findings as discussed in Section __.315(b) of OMB Circular A-133? | <u>NO</u> |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Cost

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

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315 (b) of OMB Circular A-133, the Poplarville Special Municipal Separate 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>Correction Action Plan Details</u>
----------------	---------------------------------------

None	
------	--

POPLARVILLE SPECIAL MUNICIPAL SEPARATE SCHOOL DISTRICT

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315 (b) of OMB Circular A-133, the Poplarville Special Municipal Separate School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2005:

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

There are no unresolved prior audit findings.