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**QUITMAN COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**AND**  
**REPORTS OF INDEPENDENT AUDITOR**  
**(With Supplemental Information Schedules)**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**PREPARED BY:**

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QUITMAN COUNTY SCHOOL DISTRICT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Quitman County School District

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

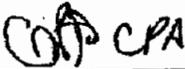
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental, each major fund and the aggregate remaining fund information of the Quitman County School District ("the District") as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, 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 January 27, 2006 on our consideration of the District's internal control over financial reporting and on 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 considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 2 through 6 and 27 through 28 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the 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 of the District. The combining fund financial statements, financial data schedule, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.



St. Louis, Missouri  
January 27, 2006

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

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

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

**FINANCIAL HIGHLIGHTS**

- Total net assets increased by \$129,692, which represents a 7% increase from fiscal year 2004.
- General revenues account for \$8,775,305 in revenue, or 71% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,647,355 or 29% of total revenues.
- The District incurred \$12,265,273 in expenses, offset by \$3,647,355 in program specific charges for services, grants and contributions. General revenues of \$8,775,305 were adequate to provide for these programs.
- Among major funds, the General fund had \$8,344,134 in revenues, \$8,103,245 in expenditures, \$747,494 in other financing sources, and (\$1,171,328) in other financing uses. The General Fund's fund balance decreased \$182,945 compared to the prior year due to transfers to other funds, or other financing uses.
- Capital assets, net of accumulated depreciation, increased by \$487,355 due to a combination of additions, depreciation expense, retirement of assets and accumulated depreciation during the year.
- Long-term debt decreased by \$508,714 due mostly to the retirement and refunding of the Series 1997 Trust Certificate of Participation.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the basic financial statements, which is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements and other supplementary information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of 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 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 describing changes in net assets during the fiscal year. Changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

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

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

**Fund financial statements.** A fund is a grouping of related accounts 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. District funds can be divided into two categories: governmental and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources and balances of spendable resources available at year end. Such information may be useful in evaluating current financing requirements. Governmental funds are reported on the modified accrual accounting basis. This method measures cash and other assets that can be easily converted to cash. The governmental funds statements provide a detailed short-term view of district operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare 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 current financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparisons between governmental funds and governmental activities.

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

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of non-related parties and are not reflected in the government-wide financial statements since resources of those funds are not available to support the District's programs. The accrual basis of accounting is used for fiduciary funds. The District is responsible to ensure that assets reported in these funds are used for their intended purpose.

**Notes to the financial statements.** Notes provide additional information essential to a full understanding of the financial statements.

**Other information.** This report also presents certain required supplementary information concerning the budget process. The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement is provided for the General and each additional major fund. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets. Net assets may serve over time as a useful indicator of government's financial position. District assets exceeded liabilities by \$2,014,048 at June 30, 2005.

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

The following table presents a summary of net assets:

	Fiscal Year 2005	Fiscal Year 2004	Variance
Current assets	\$ 2,186,910	\$ 2,952,673	\$ (765,763)
Capital assets, net	2,128,136	1,640,781	487,355
<b>Total assets</b>	<b>4,315,046</b>	<b>4,593,454</b>	<b>(278,408)</b>
Current liabilities	876,729	776,115	100,614
Long-term debt	1,424,269	1,932,983	(508,714)
<b>Total liabilities</b>	<b>2,300,998</b>	<b>2,709,098</b>	<b>(408,100)</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	576,813	(242,496)	819,309
Restricted	578,863	1,061,972	(483,109)
Unrestricted	858,372	1,064,880	(206,508)
<b>Total net assets</b>	<b>\$ 2,014,048</b>	<b>\$ 1,884,356</b>	<b>\$ 129,692</b>

The following transactions significantly impacted the Statement of Net Assets:

	Amount
Buildings improvements	\$ 23,659
Mobile equipment	235,347
Furniture and equipment	368,817
<b>Additions in capital assets</b>	<b>\$ 627,823</b>
Retirement of capital assets	(323,349)
Depreciation expense	(139,229)
Retirement of accumulated depreciation associated with retirement of capital assets	322,110
depreciation	487,355
Retirement of debt	1,961,954
Addition of debt	(1,630,000)
<b>Change in investment in net assets, net of related debt</b>	<b>\$ 819,309</b>

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

**Changes in net assets.** The District's revenues were \$12,422,660. The total cost of all programs and services was \$12,265,273. The following table presents a summary of changes in net assets:

	Fiscal Year 2005	Fiscal Year 2004	Variance
<b>Revenues:</b>			
Program revenues	\$ 3,647,355	\$ 3,487,938	\$ 159,417
General revenues	8,775,305	8,238,971	536,334
Total revenues	12,422,660	11,726,909	695,751
<b>Expenses:</b>			
Instruction	5,816,183	6,208,963	392,780
Support services	4,986,160	4,110,148	(876,012)
Non-instructional	1,373,986	1,104,635	(269,351)
Sixteenth Section	343	22,831	22,488
Interest on long-term liabilities	88,601	114,155	25,554
Total expenses	12,265,273	11,560,732	(704,541)
Revenues over(under) expenses	157,387	166,177	(8,790)
Loss on refunding of debt	(26,456)	-	(26,456)
Gain on disposal of fixed assets	(1,239)	-	(1,239)
Change in net assets	\$ 129,692	\$ 166,177	\$ (36,485)

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

	Fiscal Year 2004 Total Expenses	Fiscal Year 2004 Net (Expense) Revenue	Fiscal Year 2005 Total Expenses	Fiscal Year 2005 Net (Expense) Revenue	Change in Total Expenses
Instruction	\$ 6,208,963	\$ (4,869,537)	\$ 5,816,183	\$ 4,831,744	\$ 392,780
Support services	4,110,148	(2,931,928)	4,986,160	3,384,072	(876,012)
Non-instructional	1,104,635	(134,343)	1,373,986	313,158	(269,351)
Sixteenth section	22,831	(22,831)	343	343	22,488
Interest on long-term debt	114,155	(114,155)	88,601	88,601	25,554
Total expenses	\$ 11,560,732	\$ (8,072,794)	\$ 12,265,273	\$ 8,617,918	\$ (704,541)

- The net cost of \$8,617,918 governmental activities in fiscal year 2005 was financed by general revenue, which primarily consist of property taxes of \$1,690,759 and state revenue of \$6,587,881.
- Investment earnings accounted for \$9,785 of funding.

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

**Governmental funds.** The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Unreserved fund balance may serve as a useful measure of net resources available for spending.

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

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 governmental fund balance of \$1,533,171 including a decrease of \$661,195 in net assets. \$1,421,302 or 93% 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 \$111,869 or 7% is reserved or designated to indicate that it is not available for spending because it has been committed.

The General fund is the principal operating fund of the District. The decrease in fund balance in the General fund for the fiscal year was \$182,945. The fund balance of Other Governmental Funds showed a decrease of \$433,094.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its annual operating budget because of additions to indirect cost, increases in personnel salaries, and federal program expenses. A schedule showing the original and final budgets compared to actual financial activity for the General and other major funds is provided as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At June 30, 2005, the District's total capital assets were \$4,443,157, including school buildings, buses, other vehicles, furniture and equipment. This amount represents an increase of \$287,815 from the previous year. Accumulated depreciation was \$2,315,021 and depreciation expense was \$139,229, resulting in net capital assets of \$2,128,136.

**Debt Administration.** The District had \$1,424,269 in long-term debt outstanding, of which \$200,323 was due within one year. Additional information on long-term debt can be found in note 5 of the Notes to the Financial Statement.

**CURRENT ISSUES**

The District is financially stable and is proud of the community support of the public schools. The District is considering constructing a new gym at the Quitman County Middle School. Contracts have not been let at this point.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact Miron Thompson, Business Manager, at the Superintendent's Office of the Quitman County School District, Quitman County Courthouse Annex, Marks, MS 38646, telephone number (662)-326-5451.

**Quitman County School District  
Governmentwide Statement of Net Assets  
For the year ended June 30, 2005**

<b>Assets</b>		
Current assets:		
Pooled cash and equivalents	\$ 1,810,504	
Due from other agencies and political subdivisions	361,340	
Prepaid expenses	15,066	
Total current assets		<u>2,186,910</u>
Noncurrent assets:		
Capital assets		
Land	76,652	
Buildings	2,489,990	
Mobile equipment	1,348,189	
Furniture and equipment	502,556	
Leased property under capital leases	25,770	
Total fixed assets		4,443,157
Accumulated depreciation		<u>(2,315,021)</u>
Total noncurrent assets (note 4)		<u>2,128,136</u>
<b>Total Assets</b>		<u><b>4,315,046</b></u>
<b>Liabilities &amp; Net Assets</b>		
Current liabilities:		
Accounts payable	88,054	
Interest payable	22,667	
Long-term liabilities, due within one year (note 5)	200,323	
Due to other governments	565,685	
Total current liabilities		<u>876,729</u>
Noncurrent liabilities		
Compensated absences, net of current portion (note 5)	73,269	
Long-term liabilities, due beyond one year (note 5)	1,351,000	
Total noncurrent liabilities		<u>1,424,269</u>
<b>Total liabilities</b>		<u><b>2,300,998</b></u>
Net Assets:		
Invested in capital assets, net of related debt		576,813
Restricted net assets:		
School based activities	462,283	
Capital improvements	14,209	
Debt service	59,927	
Forestry improvements	6,969	
Unemployment benefits	35,475	
Total restricted net assets		578,863
Unrestricted		<u>858,372</u>
<b>Total net assets</b>		<u><b>2,014,048</b></u>
<b>Total Liabilities &amp; Net Assets</b>		<u><b>\$ 4,315,046</b></u>

See independent auditor's report and notes to the financial statements.

Quitman County School District  
 Governmentwide Statement of Activities  
 For Year Ended June 30, 2005

Functions/Programs:	Program Revenues			Net Expense (Revenue) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 5,816,183	\$ (65,806)	\$ (918,633)	\$ 4,831,744
Support services	4,986,160	-	(1,602,088)	3,384,072
Non-instructional	1,373,986	(86,078)	(974,750)	313,158
Sixteenth section	343	-	-	343
Interest on long-term liabilities	88,601	-	-	88,601
<b>Total Governmental Activities</b>	<b>\$ 12,265,273</b>	<b>\$ (151,884)</b>	<b>\$ (3,495,471)</b>	<b>\$ 8,617,918</b>
			<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>

General Revenues:	
<b>Taxes:</b>	
General purpose levies	1,690,759
Debt purpose levies	79,633
Unrestricted grants and contributions:	
State	6,587,881
Federal	71,347
Unrestricted investment earnings	9,785
Sixteenth section sources	204,160
Other	131,740
<b>Total general revenues</b>	<b>8,775,305</b>

<b>Other revenue/(expense):</b>	
Gain/(loss) on debt refunding	(26,456)
Gain/(loss) on disposal of capital assets	(1,239)
<b>Change in net assets</b>	<b>129,692</b>

Net assets-beginning of year	1,884,356
<b>Net assets-end of year</b>	<b>\$ 2,014,048</b>

See independent auditor's report and notes to the financial statements.

**Quitman County School District  
Governmental Fund Combined Balance Sheet  
For the year ended June 30, 2005**

Assets	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	School Food Service	Title I		
Cash and cash equivalents	\$ 1,240,512	\$ 255,666	\$ 771	\$ 313,555	\$ 1,810,504
Investments	-	-	-	-	-
Due from other agencies and political subdivisions	68,088	-	160,384	132,868	361,340
Due from other funds	64,758	18,379	1,711	2,891	87,739
Advances to other funds	-	-	-	-	-
Inventories and prepaid expenses	-	15,066	-	-	15,066
<b>Total assets</b>	<b>1,373,358</b>	<b>289,111</b>	<b>162,866</b>	<b>449,314</b>	<b>2,274,649</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	84,858	-	-	3,196	88,054
Accrued expenditures	-	-	-	-	-
Due to other funds	356,859	53,866	193,628	49,071	653,424
Advances to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>441,717</b>	<b>53,866</b>	<b>193,628</b>	<b>52,267</b>	<b>741,478</b>
<b>Fund balances</b>					
Fund balances					
Reserved for:					
Inventory	-	15,066	-	-	15,066
Capital projects	-	-	-	14,209	14,209
Debt service	-	-	-	82,594	82,594
Unreserved	-	-	-	-	-
Undesignated, reported in :					
General fund	931,641	-	-	-	931,641
Special revenue fund	-	220,179	(30,762)	300,244	489,661
<b>Total fund balances</b>	<b>931,641</b>	<b>235,245</b>	<b>(30,762)</b>	<b>397,047</b>	<b>1,533,171</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,373,358</b>	<b>\$ 289,111</b>	<b>\$ 162,866</b>	<b>\$ 449,314</b>	<b>\$ 2,274,649</b>

See independent auditor's report and notes to the financial statement.

**Quitman County School District**  
**Governmental Fund Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2005**

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>School Food Service</u>	<u>Title I</u>		
<b>Revenues:</b>					
Local sources	\$ 1,765,985	\$ 115,210	\$ -	\$ 158,145	\$ 2,039,340
State sources	6,506,146	6,721	-	477,812	6,990,679
Federal sources	72,003	931,063	1,433,213	727,741	3,164,020
Sixteenth section sources	-	-	-	204,160	204,160
<b>Total revenues</b>	<u>8,344,134</u>	<u>1,052,994</u>	<u>1,433,213</u>	<u>1,567,858</u>	<u>12,398,199</u>
<b>Expenditures:</b>					
Instruction	4,498,820	-	469,683	1,276,545	6,245,048
Support services	3,415,101	45,030	758,518	856,874	5,075,523
Noninstructional services	188,981	988,358	48,314	66,326	1,291,979
Sixteenth section	343	-	-	-	343
Debt service:					
Principal	-	-	-	1,961,954	1,961,954
Interest	-	-	-	83,742	83,742
Other	-	-	-	55,266	55,266
<b>Total expenditures</b>	<u>8,103,245</u>	<u>1,033,388</u>	<u>1,276,515</u>	<u>4,300,707</u>	<u>14,713,855</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>240,889</u>	<u>19,606</u>	<u>156,698</u>	<u>(2,732,849)</u>	<u>(2,315,656)</u>
<b>Other financing sources (uses):</b>					
Operating transfers in	723,033	-	-	1,019,283	1,742,316
Operating transfers out	(1,171,328)	(34,000)	(187,460)	(349,528)	(1,742,316)
Proceeds from debt refunding	24,461	-	-	1,630,000	1,654,461
<b>Total other financing sources (uses)</b>	<u>(423,834)</u>	<u>(34,000)</u>	<u>(187,460)</u>	<u>2,299,755</u>	<u>1,654,461</u>
<b>Net change in fund balances</b>	<u>(182,945)</u>	<u>(14,394)</u>	<u>(30,762)</u>	<u>(433,094)</u>	<u>(661,195)</u>
<b>Fund balance, beginning</b>	<u>1,114,586</u>	<u>249,639</u>	<u>-</u>	<u>830,141</u>	<u>2,194,366</u>
<b>Fund balance, ending</b>	<u>\$ 931,641</u>	<u>\$ 235,245</u>	<u>\$ (30,762)</u>	<u>\$ 397,047</u>	<u>\$ 1,533,171</u>

See independent auditor's report and notes to the financial statements.

**Quitman County School District  
Statement of Fiduciary Net Assets  
For the year ended June 30, 2005**

	Agency Fund (Modified Basis)	Eliminations		Agency Fund (Full Accrual)
		Debits	Credits	
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 26,266	\$ -	\$ -	\$ 26,266
Due from other funds	565,685	-	565,685	-
Due from other agencies and political subdivisions	-	565,685	-	565,685
<b>Total Assets</b>	<b>591,951</b>	<b>565,685</b>	<b>565,685</b>	<b>591,951</b>
<b>Liabilities</b>				
Due to other funds	26,066	26,066	-	-
Accounts payable	200	-	-	200
Accrued expenses	565,685	-	-	565,685
Due to other agencies and political subdivisions	-	-	26,066	26,066
<b>Total Liabilities</b>	<b>\$ 591,951</b>	<b>\$ 26,066</b>	<b>\$ 26,066</b>	<b>\$ 591,951</b>

See independent auditor's report and notes to the financial statements.

**Quitman County School District**  
**Reconciliation of Governmental Fund Combined Balance Sheet Net Assets to Governmentwide Net Assets**  
**For the year ended June 30, 2005**

	<u>Net Assets</u>
<b>Governmental Fund Combined Balance Sheet--Fund balances</b>	<b>\$ 1,533,171</b>
 Amounts reported for governmental activities of the statement of net assets are different because:	
 <b>Capital assets, net of accumulated depreciation:</b>	
Capital assets used in fund level statements are expensed upon use of financial financial resources to construct or acquire them. Capital assets, net of accumulated depreciation, for entity wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.	2,128,136
 <b>Long-term debt:</b>	
Long-term debt including compensated absences use current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.	(1,624,592)
 Governmental funds recognize interest on long-term debt when it becomes due however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	
<b>Governmentwide Statement--Net Assets</b>	<u>\$ 2,014,048</u>

See independent auditor's report and notes to the financial statements.

**Quitman County School District  
Reconciliation of Change in Net Assets  
For year ended June 30, 2005**

**Governmental Funds Combined Statement of Revenues,  
Expenditures, and Changes in Fund Balances— Excess of revenues  
and other sources over (under) expenditures and other uses**

**\$ (661,195)**

Additions to capital assets, construction in progress are uses of current financial resources or fund level statements but are capitalized and depreciated for entity-wide statement. Therefore, capitalized expenditures are not recognized as expenses but capital assets are depreciated. This expense, although not a use of current financial resources, is expensed on the entity wide statements.

Capitalized expenditures	627,823
Depreciation expense	(139,229)
Gain (loss) on asset disposal, net of accumulated depreciation	(1,239)

Reductions of long-term debt are recognized as debt service and an expenditure in the fund level statements. However, in the entity-wide statements, the principle portion is not an expense but a reduction in the liability. Therefore, the amount the liability is reduced is not expensed. This also includes the reduction in compensated absences.

Principal payments	1,961,954
Proceeds from debt refunding	(1,630,000)
Additions to compensated absences	(23,563)

Governmental funds recognize interest on long-term debt when it becomes due however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.

Reversal of prior year interest accrual	17,808
Current year interest accrual	(22,667)

**Statement of Activities—Change in net assets**

**\$ 129,692**

**QUITMAN COUNTY 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 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 district's accounting policies are described below.

A. **Financial Reporting Entity**

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

The Quitman County Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a three member board appointed by the district's governing board. Although legally separate from the district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. All District's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements.

B. **Basis of Presentation**

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

*Government-wide Financial Statements:*

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

The Government-wide Statement of Net Assets presents the financial condition of the governmental activities at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program. 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 not classified as program revenues are presented as general revenues, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the district.

*Fund Financial Statements:*

Fund financial statements are organized into funds 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.

QUITMAN COUNTY SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies (continued)

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 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 considered susceptible to accrual and are 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 district reports the following major governmental funds:

General Fund - This fund is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in other funds.

Food Service Fund -- This fund accounts for the lunch program that provides meals to students and teachers.

Title I Fund -- This fund accounts for federal grants that are used to supplement educational services for disadvantaged children.

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

Additionally, the 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 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.

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.

**QUITMAN COUNTY SCHOOL DISTRICT**

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

(1) Summary of Significant Accounting Policies (continued)

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 district deposits excess funds in financial institutions selected by the school board. State statutes specify how these depositories are 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 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 valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis).

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

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

I. Capital Assets

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

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

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

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(1) Summary of Significant Accounting Policies (continued)

I. Capital Assets(continued)

	Capitalization Policy	Estimated Useful Life
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 are not reported as liabilities in governmental funds, but are reported in the governmental activities column in the government-wide statement of net assets. See Note 5 for details.

K. Interfund Transactions and Balances

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

Short-term (due within one year) interfund loan receivables are reported as "due from/to 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 financial resources and, therefore, are not available for appropriation.

Transfers are used to (a) move revenues from the fund that state statute or budget requires collection to the fund that state 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.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(1) Summary of Significant Accounting Policies (continued)

L. Equity Classifications

*Government-wide Financial Statements:*

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

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

*Fund Financial Statements:*

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

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

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

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

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

Reserved for debt service - An account that represents a portion of fund balance which indicates that debt service money does not represent available spendable resources even though they are a component of 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 district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the district, revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the levying authority.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(1) Summary of Significant Accounting Policies (continued)

N. Mississippi Adequate Education Program Revenues

Revenues from the adequate education program are appropriated on a fiscal year basis and recorded at the time 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 district policy. Some employees are allowed personal leave and/or vacation leave in accordance with 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 compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

(2) Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

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 as 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 amounts of district's deposits with financial institutions reported in the governmental and fiduciary funds were \$1,810,504 and \$26,266, respectively. The bank balance was \$2,545,516.

Investments

Except for nonparticipating investment contracts, participating interest-earning investment contracts, money market investments that had a remaining maturity at the time of purchase of one year or less, and investments are reported at fair value based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

**QUITMAN COUNTY 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/Due To Other Funds

	<u>Due From</u>	<u>Due To</u>
<b>Governmental funds:</b>		
General	\$ 64,758	\$ 356,859
Food service	18,379	53,866
Title I	1,711	193,628
Other governmental	2,891	49,071
Sub-total governmental funds	<u>87,739</u>	<u>653,424</u>
Fiduciary	<u>565,685</u>	-
<b>Total</b>	<u>\$ 653,424</u>	<u>\$ 653,424</u>

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental funds:</b>		
General	\$ 723,033	\$ 1,171,328
Food service	-	34,000
Title I	-	187,460
Other governmental	<u>1,019,283</u>	<u>349,528</u>
<b>Total</b>	<u>\$ 1,742,316</u>	<u>\$ 1,742,316</u>

The above balances are eliminated in the Statement of Net Assets.

**QUITMAN COUNTY 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:

	Balance July 1, 2004	Additions	Retirements	Adjustments	Balance June 30, 2005
<b>Non-depreciable capital assets:</b>					
Land	\$ 76,652	\$ -	\$ -	\$ -	\$ 76,652
Total non-depreciable capital assets	<u>76,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,652</u>
<b>Depreciable capital assets:</b>					
Buildings	2,466,331	23,659			2,489,990
Mobile equipment	1,228,568	235,347	(115,726)		1,348,189
Furniture and equipment	341,362	368,817	(207,623)		502,556
Leased property under capital leases	25,770				25,770
Total depreciable capital assets	<u>4,062,031</u>	<u>627,823</u>	<u>(323,349)</u>	<u>-</u>	<u>4,366,505</u>
<b>Less accumulated depreciation for:</b>					
Buildings	(1,262,846)	(84,930)	196,487	-	(1,151,289)
Mobile equipment	(900,489)	(41,769)	96,633	-	(845,625)
Furniture and equipment	(323,633)	(11,138)	25,769	-	(309,002)
Leased property under capital leases	(10,934)	(1,392)	3,221	-	(9,105)
Total accumulated depreciation	<u>(2,497,902)</u>	<u>(139,229)</u>	<u>322,110</u>	<u>-</u>	<u>(2,315,021)</u>
Total depreciable capital assets, net	<u>1,564,129</u>	<u>488,594</u>	<u>1,239</u>	<u>-</u>	<u>2,051,484</u>
Governmental activities capital assets, net	<u>\$1,640,781</u>	<u>\$ 488,594</u>	<u>\$ (1,239)</u>	<u>\$ -</u>	<u>\$ 2,128,136</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 7,732
Support services	78,299
Non-instructional	53,198
Total depreciation expense	<u>\$ 139,229</u>

**QUITMAN COUNTY 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				Balance June 30, 2005	Amount due within one year
	July 1, 2004	Additions	Reductions	Adjustments		
A Certificates of participation payable	\$ 1,743,128	\$ 1,630,000	\$ (1,891,128)	\$ -	\$ 1,482,000	\$ 131,000
B Three mill notes payable	134,995	-	(65,672)	-	69,323	69,323
C Obligations under capital leases	5,154	-	(5,154)	-	-	-
D Compensated absences payable	49,706	23,563	-	-	73,269	-
<b>Total</b>	<b>\$ 1,982,983</b>	<b>\$ 1,653,563</b>	<b>\$ (1,961,954)</b>	<b>\$ -</b>	<b>\$ 1,624,592</b>	<b>\$ 200,323</b>

A. Certificates of participation payable.

As more fully explained in Note 10, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation					
Series 2004	4.45%	07/02/2004	03/01/2015	\$ 1,630,000	\$ 1,482,000
<b>Total</b>				<b>\$ 1,630,000</b>	<b>\$ 1,482,000</b>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 131,000	\$ 65,949	\$ 196,949
2007	137,000	60,120	197,120
2008	143,000	54,024	197,024
2009	149,000	47,660	196,660
2010	156,000	41,030	197,030
2011-2015	766,000	94,742	860,742
<b>Total</b>	<b>\$ 1,482,000</b>	<b>\$ 363,525</b>	<b>\$ 1,845,525</b>

This debt will be retired from the Other Debt Retirement Fund.

**QUITMAN COUNTY 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
Three mill notes payable Series 1996	5.56%	06/01/1996	02/01/2006	\$ 550,000	\$ 69,323
<b>Total</b>				<b>\$ 550,000</b>	<b>\$ 69,323</b>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 69,323	\$ 3,853	\$ 73,176
<b>Total</b>	<b>\$ 69,323</b>	<b>\$ 3,853</b>	<b>\$ 73,176</b>

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

**C. Obligations under capital leases**

The school district entered into a lease agreement for band equipment that qualified as a capital lease for accounting purposes. The district purchased the equipment at the end of the lease for \$1. The debt was retired from the District Maintenance Fund.

**D. Compensated absences payable**

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

**(6) Pension Plan**

**Public Employee's Retirement System of Mississippi (PERS)**

**Plan Description.** The 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.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(6) Pension Plan (continued)

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the district is required to contribute at an actuarially determined rate. The current rate is 10.75% 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 district's contributions to PERS for the fiscal years ending June 30, 2005, 2004 and 2003 were \$648,458, \$575,512 and \$501,885 respectively, which equaled the required contributions for each year.

(7) Other Commitments

The district has an operating lease for an ATT telephone system. Lease expenditures for the year ended June 30, 2005, amounted to \$310. The final payment was made during the fiscal year.

(8) Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the board to manage the school trust lands and all funds arising therefore 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 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	102,002
2007	102,002
Total	\$ 204,004

(9) Risk Management

The 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 insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to district 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 BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$300,000. For a claim exceeding \$300,000, 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.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(10) Trust Certificates

A trust agreement dated July 2, 2004, was executed by and between the district and Hancock Bank, as trustees. The agreement authorized the refunding of trust certificates in the original principal amount of \$1,630,000. The project is leased to the district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the district upon complete retirement of the trust certificates. The district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the district. See Note 5 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this agreement were deemed to constitute an inseparable part of the district. Therefore, assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this agreement are part of the district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

(11) Alternative School Consortium

The district entered into an Alternative School Agreement dated August 10, 2000 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes: West Tallahatchie School District, Quitman County School District, Coahoma County School District, Coahoma Agricultural High School, Drew School District, Sunflower County School District, East Tallahatchie School District, North Bolivar School District, and Mound Bayou School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students is the responsibility of the individual school district.

The West Tallahatchie School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

(12) Twenty-first Century Community Learning Center Consortiums

North Delta Twenty-first Century Community Learning Center Consortium.

The district entered into a Community Learning Center Agreement dated March 15, 2000, creating the North Delta Twenty-first Century Community Learning Center Consortium. This consortium was created pursuant to the provisions of Section 37-7-301(dd), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Youth Opportunities Unlimited, Inc., North Panola School District, West Tallahatchie School District, North Delta Mississippi Enterprise Community, Delta Rural Systems Initiative, Northwest Mississippi Community College, Coahoma Community College, Quitman County Development Organization, Mississippi State Cooperative Extension Service, Batesville Mississippi Police Department, Northwest Mississippi Public Health District Number 1, and the University of Mississippi Institute of Continuing Studies.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2005**

(12) **Twenty-first Century Community Learning Center Consortiums (cont'd)**

**Delta Horizon Twenty-first Century Community Learning Center Consortium.**

The district entered into a Community Learning Center Agreement dated March 7, 2000, creating the Delta Horizon Twenty-first Century Community Learning Center Consortium. This consortium was created pursuant to the provisions of Section 37-7-301(dd), Miss. Code Ann. (1972), and includes Cleveland Alternative Center, East Side High School, R.H. Bearden Elementary School, O'Bannon High School, Riverside High School, Manning Elementary School, Greenville Public School District, Webb Elementary School, Garrett Hall Alternative School, Gentry High School, Simmons High School, Indianola Junior High School and Quitman County Middle School.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the North Delta Twenty-first Century Community Learning Center Consortium.

**North Delta Twenty-first Century Community Learning Center Consortium**  
**Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds**  
**For the Year Ended June 30, 2005**

<b>Revenues</b>		
Federal sources	<u>\$ 6,373</u>	
Total Revenues		\$ 6,373
<b>Expenditures</b>		
Salaries	9,432	
Employee benefits	1,640	
Supplies	496	
Other	<u>59,129</u>	
Total Expenditures		<u>70,697</u>
Excess (Deficiency) of revenues over expenditures		<u>(64,324)</u>
<b>Other financing sources (uses)</b>		
Transfer in	<u>\$ 64,324</u>	
Total other financing sources		64,324
Net change in fund balance		<u>-</u>
<b>Fund balance:</b>		
July 1, 2004		<u>-</u>
June 30, 2005		<u>\$ -</u>

- (13) The *Special Revenue Fund* has a deficit fund balance in the amount of \$30,762. The deficit fund balance is not in violation of state law. This deficit could have been eliminated with a transfer from the General Fund.

**REQUIRED SUPPLEMENTAL INFORMATION**

Quitman County School District  
Budgetary Comparison Schedule  
For year ended June 30, 2005

	Fund Services Program										Total				
	General					Variance					Variance				
	Original Budget	Fund Budget	Actual (GAAP Basis)	Increase (decrease) Original to Actual	Fund to Actual	Original Budget	Fund Budget	Actual (GAAP Basis)	Increase (decrease) Original to Actual	Fund to Actual	Original Budget	Fund Budget	Actual (GAAP Basis)	Increase (decrease) Original to Actual	Fund to Actual
<b>REVENUES:</b>															
Local sources	\$ 1,821,998	\$ 1,764,985	\$ 1,765,985	\$ (57,953)	\$ 1,000	\$ 95,000	\$ 115,210	\$ 115,210	\$ 20,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	6,410,720	6,479,692	6,506,146	68,972	26,454	6,000	6,721	6,721	721	-	-	-	-	-	-
Federal sources	60,200	72,003	72,003	11,803	860,000	991,063	991,063	991,063	71,063	-	-	-	-	-	-
Sixteenth section sources	25,000	-	-	(25,000)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>8,318,838</b>	<b>8,316,680</b>	<b>8,344,134</b>	<b>(2,178)</b>	<b>27,454</b>	<b>961,000</b>	<b>1,052,994</b>	<b>1,052,994</b>	<b>91,994</b>	<b>-</b>	<b>1,328,642</b>	<b>1,372,828</b>	<b>1,433,213</b>	<b>(45,186)</b>	<b>160,385</b>
<b>EXPENDITURES:</b>															
Instruction	4,713,669	4,499,602	4,498,820	214,067	782	-	-	-	-	-	596,252	398,068	469,683	201,184	(74,615)
Support services	3,692,450	3,417,751	3,415,101	274,699	2,650	53,295	45,030	45,030	8,265	-	732,182	987,493	758,518	(245,311)	228,975
Noninstructional services	82,145	188,981	188,981	(106,836)	-	948,205	990,063	990,063	(41,858)	1,705	73,328	55,114	48,314	17,214	6,800
Sixteenth section	200	343	343	(143)	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>8,489,464</b>	<b>8,106,677</b>	<b>8,103,245</b>	<b>381,787</b>	<b>3,432</b>	<b>1,001,500</b>	<b>1,033,093</b>	<b>1,033,388</b>	<b>(33,293)</b>	<b>1,705</b>	<b>1,400,762</b>	<b>1,437,675</b>	<b>1,276,515</b>	<b>(161,150)</b>	<b>161,160</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(169,606)</b>	<b>210,003</b>	<b>240,889</b>	<b>379,609</b>	<b>30,886</b>	<b>(40,500)</b>	<b>17,901</b>	<b>19,606</b>	<b>58,401</b>	<b>1,705</b>	<b>(72,120)</b>	<b>(164,847)</b>	<b>156,698</b>	<b>(92,727)</b>	<b>321,545</b>
<b>Other financing sources (uses):</b>															
Operating transfers in	442,855	664,575	723,033	221,720	58,458	4,000	-	-	(4,000)	-	121,160	-	-	(121,160)	-
Operating transfers out	(596,000)	(721,747)	(1,171,328)	(125,747)	(449,581)	(34,500)	(34,000)	(34,000)	500	-	-	(41,259)	(187,469)	(41,259)	(146,210)
Other sources	-	24,461	24,461	24,461	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<b>(153,145)</b>	<b>(32,711)</b>	<b>(623,834)</b>	<b>(120,434)</b>	<b>(391,123)</b>	<b>(30,500)</b>	<b>(34,000)</b>	<b>(34,000)</b>	<b>(3,300)</b>	<b>-</b>	<b>121,160</b>	<b>(41,259)</b>	<b>(187,469)</b>	<b>(166,219)</b>	<b>(146,210)</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>(322,751)</b>	<b>177,292</b>	<b>(182,945)</b>	<b>500,043</b>	<b>(360,237)</b>	<b>(71,000)</b>	<b>(16,099)</b>	<b>(14,994)</b>	<b>54,901</b>	<b>1,705</b>	<b>49,040</b>	<b>(208,027)</b>	<b>(30,762)</b>	<b>(255,137)</b>	<b>175,335</b>
<b>Fund balances, beginning of year, as restated</b>	<b>1,114,586</b>	<b>1,114,586</b>	<b>1,114,586</b>	<b>\$ -</b>	<b>\$ -</b>	<b>249,639</b>	<b>249,639</b>	<b>249,639</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balances, end of year</b>	<b>\$ 791,835</b>	<b>\$ 1,291,878</b>	<b>\$ 931,641</b>	<b>\$ (500,043)</b>	<b>\$ (360,237)</b>	<b>\$ 178,639</b>	<b>\$ 233,540</b>	<b>\$ 233,245</b>	<b>\$ 54,301</b>	<b>\$ 1,705</b>	<b>\$ 49,940</b>	<b>\$ (208,027)</b>	<b>\$ (30,762)</b>	<b>\$ (255,137)</b>	<b>\$ 175,335</b>
<b>Budget to Actual Reconciliation (See Notes below):</b>															
Adjustments necessary to convert the results of operations at end of year on the budget basis to the modified accrual basis (GAAP) are as follows:															
Actual amounts (budgetary basis) available for appropriation (total revenues above)															
Total revenues as reported on the statement of revenues, expenditures & changes in fund balances—governmental funds															
Use/offsets of resources:															
Actual amounts (budgetary basis) *total expenditures*															
Total expenditures as reported on the statement of revenues, expenditures & changes in fund balances—governmental funds															
Notes to the Reconciliation:															
A) The reconciliation describes differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with Generally Accepted Accounting Principles (GAAP).															
B) Actual amounts as presented on the budgetary basis of accounting necessitating a budget-to-GAAP reconciliation.															
C) Reconciliation differences are due to basis timing, and perspective.															
D) The County amends its budget after year-end to agreement with the actual numbers, therefore, timing and basis differences are accounted for in the final budget.															

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2005**

**Budgetary Comparison Schedule**

**(1) Basis of Presentation**

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

**(2) Budget amendments and revisions**

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

**OTHER REQUIRED SUPPLEMENTAL INFORMATION**

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Supplemental Notes to The**  
**Government-Wide and Fund Financial Statements**  
**June 30, 2005**

Financial information of the District is presented in this report as follows:

- Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of financial activities.
- Government-wide financial statements consist of a statement of net assets and a statement of activities.
  - These statements report all assets, liabilities, revenues, expenses, and gains and losses of the District. Governmental activities are normally supported by taxes, intergovernmental revenues, and by fees and charges for services. Fiduciary funds are not included in these government-wide financial statements; however, separate financial statements are presented for the Fiduciary funds.
  - Inter-fund receivables and payables have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect of assets and liabilities within the governmental activities total column.
  - The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities.
  - Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.
- Fund financial statements consist of a series of statements focusing on information about the District's major governmental funds. Separate financial statements are presented for the governmental and fiduciary funds.
  - The District's major governmental funds are: General, Title, and Food Service. A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type.
  - The General fund is the entity that accounts for all governmental activity except that legally required to be accounted for in other funds. Its revenue consists primarily of advalorem taxes, investment income, intergovernmental revenue, and miscellaneous other sources. General fund expenditures represent costs of general government: instruction, support services, non-instructional, sixteenth section, and principal payments.
  - The School Food Service fund expenditures represent costs for support services and non-instructional. School Food Service fund expenditures represent costs to maintain the lunch program.
  - Title I fund expenditures represent costs for instruction, support services, and non-instructional.
  - The District maintains fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of other individuals and private organizations.
  - Notes to the financial statements provide information that is essential to a user's understanding of the basic financial statements.
  - Required supplementary information includes budgetary comparison schedules as required by GASB-34 governmental accounting standards.

**Reconciliation of differences between government-wide and fund financial statements**

- GASB 34 standards require that depreciation expense be included in the expenses reported on the District's Government-wide Statement of Activities. Accordingly, \$139,229 in depreciation expense has been reported.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Supplemental Notes to The**  
**Government-Wide and Fund Financial Statements**  
**June 30, 2005**

- GASB 34 standards require that the year-end value of capital assets, net of accumulated depreciation, be reported on its Government-wide Statement of Net Assets. Capital assets include land, buildings, furniture & equipment, vehicles, heavy equipment, leasehold improvements, infrastructure, and construction in progress.
  - Accordingly, capital assets with a current valuation of \$2,128,136, net of \$2,315,021 in accumulated depreciation, have been reported for the year ended June 30, 2005. Current year asset additions and disposals, if any, are reflected in these balances.
  
- GASB 34 standards require that year-end interfund receivable and payable balances be eliminated from the Government-wide Statement of Net Assets.
  - Accordingly, due to/due from interfund transactions within the Governmental fund group of \$653,424 have been eliminated to avoid over/under reporting of the balances on the Government-wide statements.
  - The interfund payable of \$26,066 owed to the General fund by the Trust & Agency funds has been eliminated by application of this balance to the Governmental fund account maintained for taxes-receivables.
  - Similarly, the interfund receivable of \$565,685 owed to the Trust & Agency funds by the Governmental funds has been eliminated by application of this balance to the Governmental fund account maintained for current liabilities to others.
  
- GASB 34 standards require that the long-term debt obligation balances be reported at year-end on its Government-wide Statement of Net Assets. GASB 34 standards also require that the long-term obligations for compensated absences be reported at year-end on its Government-wide Statement of Net Assets.
  - Accordingly, the District's long-term debt of \$1,551,323, which includes obligations under capital leases, three mills note payable, and certificates of participation, are recorded as liabilities on the Government-wide Statement of Net Assets.
  - Similarly, long-term debt obligation for compensated absences of \$73,269 is recorded as a liability on the Government-wide Statement of Net Assets.
  
- GASB 34 standards require that the addition made during 2005 to the obligation for compensated absences be recognized as an increase in the annual expenses reported on the Government-wide Statement of Activities.
  
- GASB 34 standards require that debt principle retired during 2005 be recognized as a reduction in the annual expenses reported on the Government-wide Statement of Activities.
  - Accordingly, \$1,961,954 in debt principle payments have been excluded from the expenses reported on the Government-wide Statement of Activities.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Major Fund Designation**  
**June 30, 3005**

**A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type and five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to the District. Financial information is most useful when each major fund is presented separately rather than when fund combinations are reported. Accordingly, the GASB S-34 financial reporting model requires the presentation of individual fund data for each major fund of the District.**

The District maintains Fiduciary funds to account for assets held by the District in a trustee capacity or as an agent on behalf of others. The District's Fiduciary and Agency cash and investment balances should be classified as Fiduciary Funds (Agency) under GASB S-34 standards.

The District maintains a clearing account where payroll withholding amounts are routinely deposited and disbursed. The District holds the cash balances as an agent and fund custodian. Accordingly, the Payroll fund's cash and investment balances should be classified as Fiduciary Funds (Agency) under GASB S-34 standards.

We analyzed the District's current fund classifications using GASB S-34 standards to select the funds that must be classified as Major Funds. The Major Fund test does not apply to fiduciary funds.

In addition to the major funds identified below, the District may designate any other governmental fund as major, due to its importance to management, even if the fund does not otherwise qualify as a major fund. Based on our assessment, we have determined that the District funds should be reported as displayed in the table below.

**QUITMAN COUNTY SCHOOL DISTRICT**  
**Major Fund Designation**  
**June 30, 3005**

CURRENT FUND & FUND TYPE	PROPOSED FUND TYPE PER GASB S-34	SELECTION BASIS	MAJOR FUNDS (YES / NO)
<b>GENERAL REVENUE</b>			
1 District Maintenance Fund	Governmental	Always	Yes
2. Special Education Fund	Governmental	Always	Yes
3. Alternative School Fund	Governmental	Always	Yes
4. Activity Fund	Governmental	Always	Yes
5. Building and Improvement Fund	Governmental	Always	Yes
<b>SPECIAL REVENUE</b>			
6. Uniform Millage Assistance	Governmental		Yes
7. Interim Capital Expenditure	Governmental		No
8. Level I Accreditation Grant	Governmental		No
9. Title III—Goals 2000	Governmental		No
10. Technology in the Classroom	Governmental		No
11. Technology Literacy Challenge	Governmental		No
12. School Food Service	Governmental	Revenues/Expenditures	Yes
13. Fruit and Vegetable	Governmental		No
14. Summer Food Service	Governmental		No
15. Title I fund	Governmental	Revenues/Expenditures	Yes
16. Title VI	Governmental		No
17. Title V	Governmental		No
18. EEF Building and Buses	Governmental		No
19. EEF Classroom Supplies	Governmental		No
20. Title II	Governmental		No
21. Special Education	Governmental		No
22. Special Education Preschool	Governmental		No
23. School Renovation & Repair	Governmental		No
24. Vocational Education	Governmental		No
25. Vocational Tech Prep	Governmental		No
26. Title IV	Governmental		No
27. Unemployment Compensation	Governmental		No
28. Forestry Escrow Fund	Governmental		No
29. Sixteenth Section Interest	Governmental		No
30. Part B Transition	Governmental		No
31. Reading Sufficiency	Governmental		No
32. Public School Building Fund	Governmental		No
33. 21 <sup>st</sup> Century	Governmental		No
34. Barksdale Grant	Governmental		No
35. Bell South Grant	Governmental		
<b>DEBT SERVICE FUND:</b>			
46 Debt Service Fund	Governmental		No
<b>FIDUCIARY FUND:</b>			
50 Expendable Trust Fund	Fiduciary (Private Purpose Trust)		No
51 Agency Fund	Fiduciary (Trust & Agency)		No

**Quitman County School District**  
**Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds**  
**For the Year Ended June 30, 2005**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 9,134,234	\$ 5,661,641	\$ 1,315,347	\$ 2,157,246
Other	3,131,039	154,542	301,435	2,675,062
<b>Total</b>	<b>12,265,273</b>	<b>5,816,183</b>	<b>1,616,782</b>	<b>4,832,308</b>
 Total number of students	 1,567			
 Cost per student	 \$ 7,828	 \$ 3,712	 \$ 1,032	 \$ 3,084

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

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

Administrative - includes expenditures for the following functions: support services-general administration (2300s); support services-school administration (2400s); and support services-business (2500s).

Other-includes all expenditure functions not included in instruction or administrative.

**SINGLE AUDIT SECTION**

**Quitman County School District  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Non-cash assistance:			
Food donation	10.550	\$ 51,111	
Child nutrition cluster:			
School breakfast program	10.553	311,467	
National school lunch program	10.555	568,486	
Summer food service program for children	10.559	17,933	
Subtotal child nutrition cluster:		<u>897,886</u>	
Fresh fruit and vegetables			
Fresh fruit and vegetables	10.557	<u>15,842</u>	
Total U.S. Department of Agriculture			\$ 964,839
<b><u>U.S. Department of Education</u></b>			
Passed-through Greenville Public School District:			
Twenty-first century community learning centers	84.287	31,214	
Total		<u>31,214</u>	
Passed-through Mississippi Department of Education			
Title I-grants to local educational agencies	84.010	1,433,212	
Vocational education-basic grants to states	84.048	41,197	
Safe and drug-free schools and communities-state grants	84.186	28,376	
State grants for innovative programs	84.298	9,200	
Education technology state grants	84.318	27,593	
Rural education	84.358	23,719	
Improving teacher quality-state grants	84.367	<u>112,864</u>	
Total		<u>1,676,161</u>	
Special education cluster:			
Special education-grants to states	84.027	484,672	
Special education-preschool grants	84.173	<u>17,175</u>	
Total special education cluster		<u>501,847</u>	
Total passed-through Mississippi Department of Education		<u>2,178,008</u>	
Total U. S. Department of Education			2,209,222
<b><u>Corporation for National and Community Service</u></b>			
Passed-through Mississippi Department of Education			
Learn and Serve America-school and community based programs	94.004	<u>10,000</u>	
Total Corporation for National and Community Service			<u>10,000</u>
Total for All Federal Awards			<u>\$ 3,184,061</u>

**Notes to Schedule**

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

\* Revised November 15, 2007

See independent auditor's report and notes to the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Superintendent and School Board  
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Quitman County School District ("the District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

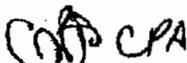
In planning and performing our audit, we considered the Project's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 through 2005-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the conditions described above, we believe that reportable condition 2005-2 described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Education, management, 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.

 CPA

St. Louis, Missouri  
January 27, 2006

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

Superintendent and School Board  
Quitman County School District

Compliance

We have audited the compliance of the Quitman County School District, ("the 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 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 District's management. Our responsibility is to express an opinion on the 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 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 District's compliance with those requirements.

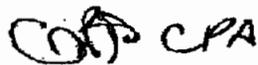
In our opinion, the district complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

Management of the 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 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the 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 Board of Education, management, 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.

 CPA

St. Louis, Missouri  
January 27, 2006

\*Revised November 15, 2007

**Quitman County School District  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005**

**Section 1: Summary of Auditor's Results**

**Financial Statements:**

- |    |  |             |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                             | Unqualified |
| 2. | Material noncompliance relating to the financial statements?                             | No          |
| 3. | Internal control over financial reporting:   |             |
|    | a. Material weakness(es) identified?   | Yes         |
|    | b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes         |

**Federal Awards:**

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weakness(es) identified?   | No          |
|     | b. Reportable condition(s) identified that are not considered to be material weaknesses?   | No          |
| 6.  | Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Child Nutrition Cluster<br>CFDA #10.555<br>CFDA #10.553<br>CFDA #10.559   |             |
|     | b. Title I grants to local educational agencies<br>CFDA #84.010  |             |
|     | c. Special Education-Grants to States*<br>CFDA #84.027   |             |
|     | d. Special education-Preschool grants*<br>CFDA #84.173   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? | Yes         |

\*Revised November 15, 2007

**Section 2: Financial Statement Findings**

**2005-1(Repeat Finding) Reportable condition**

**Condition:** The high school activity trust bank account, Crowder School Fund, and Westside Elementary School accounts were reconciled to a bank balance dated June 20, 2005 and June 5, 2005, respectively. Bank accounts for the Teachers Salary Clearing Fund and Accounts Payable Clearing were not reconciled to the financial statements at June 30, 2005.

**Criteria:** All bank accounts and general ledger accounts should be reconciled as of the same date which should be the end of the month.

**Cause:** The activity fund consists of combined bank accounts with varying cutoff dates.

**Effect:** The above bank statements were not reconciled at June 30, 2005.

**Questioned Costs:** None.

**Recommendation:** The district should reconcile its financial records to a cutoff at the end of the month.

**2005-2 Material weakness**

**Condition:** The district refinanced its 1997 Series Certificate of Participation debt but did not remove the old debt and record the new debt on its books.

**Criteria:** The district should have recorded the transactions.

**Cause:** The district did not close or adjust the bond investment account when the bond was refunded during the year.

**Effect:** Prior to the adjustment, the financial statements were misstated.

**Questioned Costs:** None.

**Recommendation:** This is a complex transaction that oftentimes require consultation with the district's financial advisors or auditors.

**Section 3: Federal Award Findings and Questioned Costs**

There are no federal award findings or questioned costs.

**Quitman County School District  
Summary Schedule of Prior Year Findings  
For the Year Ended June 30, 2005**

**04-1 Finding**

- A. The high school activity trust bank account was reconciled to a bank balance dated June 20, 2004.
- B. The district carried on it records a bank account of a school that has been closed for several years, and the bank account was reconciled using a bank statement balance date of July 5, 2004.
- C. The district disbursed funds from the sixteenth section forestry escrow bank account using checks that were not numbered.

**Status**

- A. Not implemented
- B. Implemented.
- C. Implemented.

**04-2 Finding**

- A. The listing of detail claims payable for General Fund did not agree with financial statements.
- B. The claims payable listing appeared to be sorted from general ledger data files instead of accounts payable expenditure normally maintained.
- C. The district did not provide support of claims payable in the accounts payable clearing fund.

**Status**

- A. Implemented.
- B. Implemented.
- C. Implemented.

**04-3 Finding**

- A. The district did not maintain adequate subsidiary debt ledgers.
- B. The district's system of recording leave information for non-certified personnel in the payroll records was not functioning properly.

**Status**

- A. Implemented.
- B. Implemented.

**04-4 Finding**

A review of 13 randomly selected activity fund receipts found that 11 were not deposited in a timely manner.

**Status**

Implemented.

**04-5 Finding**

Timesheets were not provided documenting the percentage of time spent performing duties between the District Maintenance Fund and the Title I Fund.

**Status**

Implemented.

**04-6 Finding**

The district requested funds in excess of immediate need from the U.S. Department of Education.

**Status**

Implemented.

**Independent Auditor's Report on Compliance With State Laws and Regulations**

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

Superintendent and School Board  
Quitman County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Quitman County School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed an instance of noncompliance reported in finding number 2005-3 below. The district reported \$34,336 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 disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

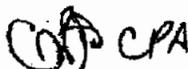
**2005-3 Finding (Repeat Finding)**

Total ad valorem and homestead receipts exceeded the amount allowable. The district failed to place the excess amount in escrow at June 30, 2005, and reduce the subsequent year request for ad valorem taxes.

**Recommendation**

The district should comply with Section 71-5-359, Miss. Code Ann. (1972), which requires the district to escrow the excess received above the allowable amount.

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

 CPA

St. Louis, Missouri  
January 27, 2006

**Supplemental Information**

Quitman County School District  
 Combining Statement of Assets, Liabilities and Fund Balances  
 Modified Cash Basis- General Funds  
 For the year ended June 30, 2005

	1120 District Maintenance Fund	1130 Special Education Fund	1140 Alternative School Fund	1151 Activity Fund	1901 Building and Improvement Fund	Total General Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 1,220,170	\$ -	\$ 498	\$ 16,492	\$ 3,352	\$ 1,240,512
Investments	-	-	-	-	-	-
Due from other agencies and political	68,088	-	-	-	-	68,088
Due from other funds	64,758	-	-	-	-	64,758
Advances to other funds	-	-	-	-	-	-
Inventories and prepaid expenses	-	-	-	-	-	-
<b>Total assets</b>	<b>1,353,016</b>	<b>-</b>	<b>498</b>	<b>16,492</b>	<b>3,352</b>	<b>1,373,358</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	71,762	-	-	13,096	-	84,858
Accrued expenditures	-	-	-	-	-	-
Due to other funds	356,859	-	-	-	-	356,859
<b>Total liabilities</b>	<b>428,621</b>	<b>-</b>	<b>-</b>	<b>13,096</b>	<b>-</b>	<b>441,717</b>
<b>Fund balances</b>						
Fund balances						
Unreserved	924,395	-	498	3,396	3,352	931,641
Reserved	-	-	-	-	-	-
<b>Total fund balances</b>	<b>924,395</b>	<b>-</b>	<b>498</b>	<b>3,396</b>	<b>3,352</b>	<b>931,641</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,353,016</b>	<b>\$ -</b>	<b>\$ 498</b>	<b>\$ 16,492</b>	<b>\$ 3,352</b>	<b>\$ 1,373,358</b>

**Quitman County School District**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Modified Cash Basis- General Funds**  
**For the year ended June 30, 2005**

	1120 District Maintenance Fund	1130 Special Education Fund	1140 Alternative School Fund	1151 Activity Fund	1901 Building and Improvement Fund	33 Total General Funds
<b>Revenues:</b>						
Local sources	\$ 1,701,446	\$ -	\$ -	\$ 64,506	\$ -	\$ 1,765,985
State sources	5,766,697	714,449	25,000	-	-	6,506,146
Federal sources	71,347	656	-	-	-	72,003
Sixteenth section sources	-	-	-	-	-	-
<b>Total revenues</b>	<b>7,539,490</b>	<b>715,105</b>	<b>25,000</b>	<b>64,506</b>	<b>33</b>	<b>8,344,134</b>
<b>Expenditures:</b>						
Instruction	3,483,956	867,196	105,147	42,521	-	4,498,820
Support services	3,253,020	161,175	-	906	-	3,415,101
Noninstructional services	159,719	1,032	-	28,230	-	188,981
Sixteenth section	343	-	-	-	-	343
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total expenditures</b>	<b>6,897,038</b>	<b>1,029,403</b>	<b>105,147</b>	<b>71,657</b>	<b>-</b>	<b>8,103,245</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>642,452</b>	<b>(314,298)</b>	<b>(80,147)</b>	<b>(7,151)</b>	<b>33</b>	<b>240,889</b>
<b>Other financing sources (uses):</b>						
Operating transfers in	440,828	257,205	25,000	-	-	723,033
Operating transfers out	(1,171,328)	-	-	-	-	(1,171,328)
Other sources	24,461	-	-	-	-	24,461
<b>Total other financing sources (uses)</b>	<b>(706,039)</b>	<b>257,205</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>(423,834)</b>
<b>Net change in fund balances</b>	<b>(63,587)</b>	<b>(57,093)</b>	<b>(55,147)</b>	<b>(7,151)</b>	<b>33</b>	<b>(182,945)</b>
Fund balance, beginning	987,982	57,093	55,645	10,547	3,319	1,114,586
<b>Fund balance, ending</b>	<b>\$ 924,395</b>	<b>\$ -</b>	<b>\$ 498</b>	<b>\$ 3,396</b>	<b>\$ 3,352</b>	<b>\$ 931,641</b>



Quitman County School District  
 Combined Statement of Assets, Liabilities, and Fund Balance  
 Modified Cash Basis - Other Governmental Funds  
 For the year ended June 30, 2005

	2330	2410	2440	2511	2515	2618	2620	2630	2711	2714	2810	2811
	Title V	EEF	EEP	Title II	Title II ED	Special ED	Special ED	School	Vocational	Vocational	Title IV	Title IV
	Inservative	Buildings	Classroom	Improvin	Technology	ERA	Preschool	Renovation	Ed. Equip.	Tech Equip.	Drug	Drug
	Program	and Equip.	Supplies	& Quality			and Repair				Free	Carried
	Forward											Forward
Cash and cash equivalents	\$ 58,285	\$ 9,706	\$ 46,540	\$ 3,435	\$ 6,438	\$ 18,209	\$ 230	\$ -	\$ -	\$ -	\$ -	\$ 143,243
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Due from other agencies and political	-	4,666	742	11,089	-	84,165	-	-	6,089	-	-	124,684
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-
Inventories and prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>76,218</b>	<b>14,372</b>	<b>47,282</b>	<b>14,524</b>	<b>6,438</b>	<b>102,374</b>	<b>230</b>	<b>-</b>	<b>6,089</b>	<b>-</b>	<b>-</b>	<b>267,927</b>
<b>Liabilities and Fund Balance</b>												
<b>Liabilities</b>												
Accounts payable	-	-	-	630	-	419	-	-	-	-	-	1,049
Accrued expenditures	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	30,547	-	-	3,205	-	17,790	230	-	-	-	-	51,772
Advances from other funds	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>30,547</b>	<b>-</b>	<b>-</b>	<b>3,835</b>	<b>-</b>	<b>18,209</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,821</b>
<b>Fund Balance</b>												
Fund balances	45,671	14,372	47,282	11,089	6,438	84,165	-	-	6,089	-	-	215,106
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-
Reserved	45,671	14,372	47,282	11,089	6,438	84,165	-	-	6,089	-	-	215,106
<b>Total fund balance</b>	<b>45,671</b>	<b>14,372</b>	<b>47,282</b>	<b>11,089</b>	<b>6,438</b>	<b>84,165</b>	<b>-</b>	<b>-</b>	<b>6,089</b>	<b>-</b>	<b>-</b>	<b>215,106</b>
<b>Total liabilities and fund balance</b>	<b>76,218</b>	<b>14,372</b>	<b>47,282</b>	<b>14,524</b>	<b>6,438</b>	<b>102,374</b>	<b>230</b>	<b>-</b>	<b>6,089</b>	<b>-</b>	<b>-</b>	<b>267,927</b>

Quitman County School District  
 Combined Statement of Assets, Liabilities, and Fund Balance  
 Modified Cash Basis - Other Governmental Funds  
 For the year ended June 30, 2005

	2810	2830	2840	2902	2903	2904	2906	2907	2910	4021	4901	3021	Total	
	Unemployment Compensation Fund	Forestry Easement Fund	Streets Section Interest	Part B Transition	Reading Sufficiency	Public School Building Fund	2114 Century Grant	Horizon 2111 Century	Both South Grant	Barbourside Grant	Title VI Tech Assl/Fed/Dis	Three Mills News Retirement	Other Debt Retirement Fund	Building Renovation Project
Assets														
Cash and cash equivalents	\$ 143,243	\$ 9,860	\$ 5,502	\$ 403	\$ 19,408	\$ -	\$ -	\$ -	\$ 515	\$ 80,053	\$ 1,347	\$ 7,209	\$ 313,555	
Investments	-	-	-	-	-	-	-	-	-	1,184	-	7,000	132,868	
Due from other agencies and political	-	-	-	-	-	-	-	-	-	-	-	-	2,891	
Due from other funds	-	-	2,891	-	-	-	-	-	-	-	-	-	-	
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	
Inventories and prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total assets	267,927	9,860	8,393	403	19,408	-	-	-	515	81,247	1,347	14,209	449,314	
Liabilities and Fund Balance														
Liabilities														
Accounts payable	1,049	-	-	-	-	-	-	-	-	-	-	-	3,196	
Accrued expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	
Due to other funds	51,772	2,891	(11,855)	-	-	-	-	-	-	-	-	-	49,071	
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total liabilities	52,821	2,891	(11,855)	-	-	-	-	-	-	-	-	-	52,867	
Fund Balance														
Fund balance	215,106	6,969	20,248	403	19,408	-	-	-	515	81,247	1,347	14,209	300,244	
Unreserved	-	-	-	-	-	-	-	-	-	-	-	-	96,803	
Reserved	215,106	6,969	20,248	403	19,408	-	-	-	515	81,247	1,347	14,209	397,047	
Total fund balance	215,106	6,969	20,248	403	19,408	-	-	-	515	81,247	1,347	14,209	397,047	
Total liabilities and fund balance	267,927	9,860	8,393	403	19,408	-	-	-	515	81,247	1,347	14,209	449,314	

Ozark County School District  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 Modified Cash Basis - Other Governmental Funds  
 For the year ended June 30, 2005

	2001	2010	2040	2060	2078	2080	2112	2124	2125	2210	2311	2320	
	Uniform	Interim	Level I	Title III	Technology	Technology	Fruit and	Summer	Summer	Title I	Title VI	Title VI	Carried
Revenues:	Millage	Capital	Accreditation	Goals 2000	in the	Library	Vegetable	Food Services	Food Services	Development	Rural and	Size Reduction	Forward
Local sources	Assistance	Expenditures	Grant	Cents 2000	Classroom	Challenges	\$	2005	2004	\$	Low	\$	\$
State sources	-	-	-	-	831	-	15,842	17,933	-	-	23,719	10,916	90,839
Federal sources	-	-	-	98	-	22,331	15,842	17,933	-	-	23,719	10,916	90,839
Sixteenth section sources	-	-	-	98	831	22,331	15,842	17,933	-	-	23,719	10,916	90,839
Total revenues	-	-	-	98	831	22,331	15,842	17,933	-	-	23,719	10,916	90,839
Expenditures:													
Instruction	242,848	-	-	-	-	-	-	-	-	130,100	15,803	-	258,651
Support services	-	-	-	-	-	-	15,764	92	13,642	60	33,228	-	163,420
Noninstructional services	-	-	-	-	-	-	-	-	-	-	2,061	-	31,527
Sixteenth section	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	242,848	-	-	-	-	-	15,764	13,734	-	130,160	51,092	-	453,598
Excess (deficiency) of revenues over expenditures	(242,848)	-	-	98	831	22,331	78	4,199	-	(130,160)	(27,373)	10,916	(361,928)
Other financing sources (uses):													
Operating transfers in	-	(132,850)	-	-	-	-	-	-	-	130,160	27,373	-	157,533
Operating transfers out	-	-	-	-	-	-	-	-	-	-	-	-	(132,850)
Other sources	-	(132,850)	-	-	-	-	-	-	-	130,160	27,373	-	24,683
Total other financing sources (uses)	-	(132,850)	-	-	-	-	-	-	-	-	-	-	24,683
Net change in fund balances	(242,848)	(132,850)	-	98	831	22,331	78	4,199	-	-	-	10,916	(337,245)
Fund balance, beginning	242,848	132,850	4,718	-	-	-	-	-	-	-	-	2,500	382,916
Fund balance, ending	-	-	4,718	98	831	22,331	78	4,199	-	-	-	13,416	45,671

**Quitman County School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Modified Cash Basis - Other Governmental Funds**  
**For the year ended June 30, 2005**

	2338	2410	2440	2511	2515	2610	2620	2630	2714	2810	2811
	Title V	EEF	EEF	Title II	Title II ED	Special ED	Special ED	School	Vocational	Title IV	Title IV
	Innovative	Buildings	Classroom	Improves	Technology	EHA	Preschool	Renovation	Educational	Drugs	Drug Free
	Program	and Buses	Supplies	Quality				and Repair			Side &
				Education							Program
											Forward
Revenues:											
Local sources											
State sources	831	56,014	11,827	13,810	7,486	470,536	17,175	401,654			477,812
Federal sources	90,839				27,592			43,795			696,527
Sixteenth section sources											
Total revenues	91,670	56,014	11,827	13,810	35,078	470,536	17,175	445,449			1,174,339
Expenditures:											
Instruction			5,542	38,511		243,664	16,577		538,257		12,225
Support services	163,400	89,704		77,329	28,640	211,684	813		246,747		16,150
Noninstructional services	31,527	193		1,056					200		
Sixteenth section											
Debt service:											
Principal											
Interest											
Other											
Total expenditures	453,598	89,897	5,542	118,876	28,640	455,348	17,390	805,204			28,375
Excess (deficiency) of revenues over expenditures	(361,928)	(33,883)	6,285	(105,066)	6,438	15,188	(215)		(359,755)		
Other financing sources (uses):											
Operating transfers in	157,533			114,155		86,767	445		350,598		714,270
Operating transfers out	(132,850)					(17,790)	(230)				(150,870)
Other sources											
Total other financing sources (uses)	24,683			114,155		68,977	215		350,598		563,400
Net change in fund balances	(337,245)	(33,883)	6,285	(11,089)	6,438	84,165			(9,157)		(272,300)
Fund balance, beginning	382,916	48,255	40,997						15,246		487,414
Fund balance, ending	\$ 45,671	\$ 14,372	\$ 47,282	\$ 11,089	\$ 6,438	\$ 84,165	\$ -	\$ -	\$ 6,089	\$ -	\$ 215,116



**Quitman County School District**  
**Combined Statement of Assets and Liabilities**  
**Modified Cash Basis - Fiduciary Funds**  
**For the year ended June 30, 2005**

<u>Assets</u>	<u>Payroll Clearing Fund</u>	<u>School Clubs Funds</u>	<u>Sixteenth Section Principal</u>	<u>Total</u>
Cash and cash equivalents	\$ -	\$ 26,266	\$ -	\$ 26,266
Due from other funds	565,685	-	-	565,685
<b>Total assets</b>	<b>565,685</b>	<b>26,266</b>	<b>-</b>	<b>591,951</b>
<u>Liabilities</u>				
Accounts payable	-	200	-	200
Accrued expenditures	565,685	-	-	565,685
Due to others	-	26,066	-	26,066
<b>Total liabilities</b>	<b>\$ 565,685</b>	<b>\$ 26,266</b>	<b>\$ -</b>	<b>\$ 591,951</b>

See independent auditor's report and notes to the financial statements.

Quitman County School District  
 Adjusting Journal Entries  
 For the Year Ended June 30, 2005

Entry Number	Account Name	Debit	Credit
<b>District Maintenance Fund</b>			
1	Cash and other deposits Cash with fiscal agent Description: To reclass cash. WP Ref: TB	\$ 422,655	\$ 422,655
2	Due from state sources Miscellaneous income Description: To agree due from MAEP-BEP, BEP-Advantage Tax Reduction, and Extended School Year WP Ref: C-1	1,000	1,000
3	Transfers out Other restricted grants in aid Description: To correct error in posting transfers out. WP Ref: GL	26,455	26,455
<b>Food Service Fund</b>			
4	Cash and other deposits Cash with fiscal agent Description: To reclass cash. WP Ref: TB	270	270
5	Inventory of food Miscellaneous expense Reserved for inventory Unreserved/Undesignated Description: To agree inventory to detail. WP Ref: D	1,708 4,965	1,708 4,965
<b>Summer Food Service 2004</b>			
6	Federal sources Due from federal sources Description: To record receipt prior year receivable. WP Ref 10-1	15,244	15,244
<b>Title I Fund</b>			
7	Federal sources Title I-federal Description: To reclass revenues from fund balance. WP Ref: GL and 10	160,384	160,384
8	Unreserved/undesignated Due from federal sources Description: To correct error in recording receivable. WP Ref: TB and 10-1	192,868	192,868
<b>Special ED EHA 91-142</b>			
9	Due from other sources Special education-federal Description: To record receivable from Idea Part B. WP Ref C-2	86,165	86,165
<b>Vocational Education</b>			
10	Due from federal sources Vocational and technology-federal Description: To record receivable from federal. WP Ref: C-2	6,089	6,089
<b>Forestry Encrow Fund</b>			
11	Unreserved/undesignated Due from local sources Description: To correct error in recording receivable from local sources. WP Ref: TB	16,366	16,366
<b>Other Debt Retirement Fund</b>			
12	Principal on long-term debt Principal on long-term debt Miscellaneous expense Interest expense Investments Proceed from refunding of debt Transfer in Description: To record refunding of debt at the fund level. WP Ref: CC	1,743,128 5,154 55,266 28,081	170,020 1,630,000 31,609
13	Interest on debt Proceeds from loans Description: To reclass proceeds to interest. WP Ref: CC and TB	26,455	26,455
<b>Sixteenth Section Principal</b>			
14	Due from local sources Due to other funds Description: To eliminate receivable and due from other in prior year. WP Ref: TB	50,275	50,275

Entry Number	Account Name	Debit	Credit
<b>Government-Wide Entries<sup>ⓐ</sup></b>			
15	Building Instruction Description: To reclass renovations expenses to fixed assets. WP Ref: TB and F	23,659	23,659
16	Mobile Equipment Instruction Support services Description: To reclass vehicle purchases previously expensed to fixed assets. WP Ref: TB and F	109,090	13,086 96,004
17	Furniture and equipment Furniture and equipment Instruction Support services Description: To reclass furniture and equipment purchases previously expensed to fixed assets. WP Ref: TB and F	28,797 48,000	28,797 48,000
18	Instruction Support services Noninstructional services Accumulated depreciation Description: To allocate depreciation to fixed assets. WP Ref: F	7,732 78,300 53,198	139,230
19	Compensated absence expense Compensated absence payable Description: To agree liability to detail. WP Ref: 20	23,563	23,563
20	Certificate of participation payable Principal payments Proceeds for refunding of debt Certificate of participation payable Description: To remove the old debt and record the new debt. WP Ref: CC and TB	1,743,128 1,630,000	1,743,128 1,630,000
21	Certificate of participation payable Principal payments Description: To reclass principal payments to reduction in long-term debt. WP Ref: TB and CC	148,000	148,000
22	Obligation under capital leases Three Mills notes payable Principal payments Description: To reclass principal payments to reduction in long-term debt. WP Ref: TB and CC	5,154 65,672	70,826
23	Mobile equipment Furniture and equipment Accumulated depreciation Loss on disposal of capital assets Instruction Description: To record additions and disposals of fixed assets. WP Ref: F	10,530 84,397 322,111 1,239	418,277
24	Interest expense Interest payable Description: To accrue interest from long-term debt. WP Ref: CC	22,667	22,667
		<u>\$ 7,247,765</u>	<u>\$ 7,247,765</u>

<sup>ⓐ</sup> Government-wide entries should not be recorded by the auditee, however, the fixed asset account group and long-term debt group should be adjusted to reflect retirements and additions in long-term debt, capital assets, compensated absences, and accumulated depreciation.

**Auditee's Corrective Action Plan  
and  
Status of Prior Audit Findings**

Department of Education  
Quitman County  
Valmadge Towner, Superintendent  
Marks, Mississippi 38646

P. O. Drawer C

(662)326-5451  
Fax (662)326-3694

Financial & Compliance Audit Division

As required by Section \_\_\_\_\_ 315 (c) of OMB Circular A-133, the Quitman County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2005-1	<p>a. Names of Contact Persons Responsible for Corrective Action:</p> <p>Miron Thompson, Business Manager Valmadge Towner, Superintendent (662)326-5451</p> <p>b. Corrective Action Planned:</p> <p>The district will reconcile its financial records to the bank statement with a cut off as the end of the month.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2006</p>
2005-2	<p>a. Names of Contact Persons Responsible for Corrective Action:</p> <p>Miron Thompson, Business Manager Valmadge Towner, Superintendent (662)326-5451</p> <p>b. Corrective Action Planned:</p> <p>The district will consult with financial advisors and auditors.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2006</p>

2005-3

a. **Names of Contact Persons Responsible for Corrective Action:**

Miron Thompson, Business Manager  
Valmadge Towner, Superintendent  
(662)326-5451

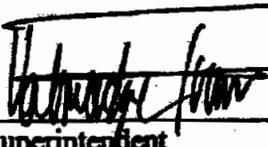
b. **Corrective Action Planned**

The district will comply with Section 71-5-359, Miss. Code Ann. (1972), which requires the district to escrow the excess received above the allowable amount.

c. **Anticipated Completion Date:**

June 30, 2006

Sincerely yours,

  
\_\_\_\_\_  
Superintendent