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Rankin County School District

Audited Financial Statements

June 30, 2005

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

FINANCIAL AUDIT REPORT

**Rankin County School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY SUPPLEMENTARY INFORMATION
AND SUPPLEMENTARY INFORMATION

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

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

October 20, 2005
Superintendent and School Board
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2005, which collectively comprise the Rankin County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rankin County School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 20, 2005 on my consideration of the Rankin County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 48 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

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

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



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

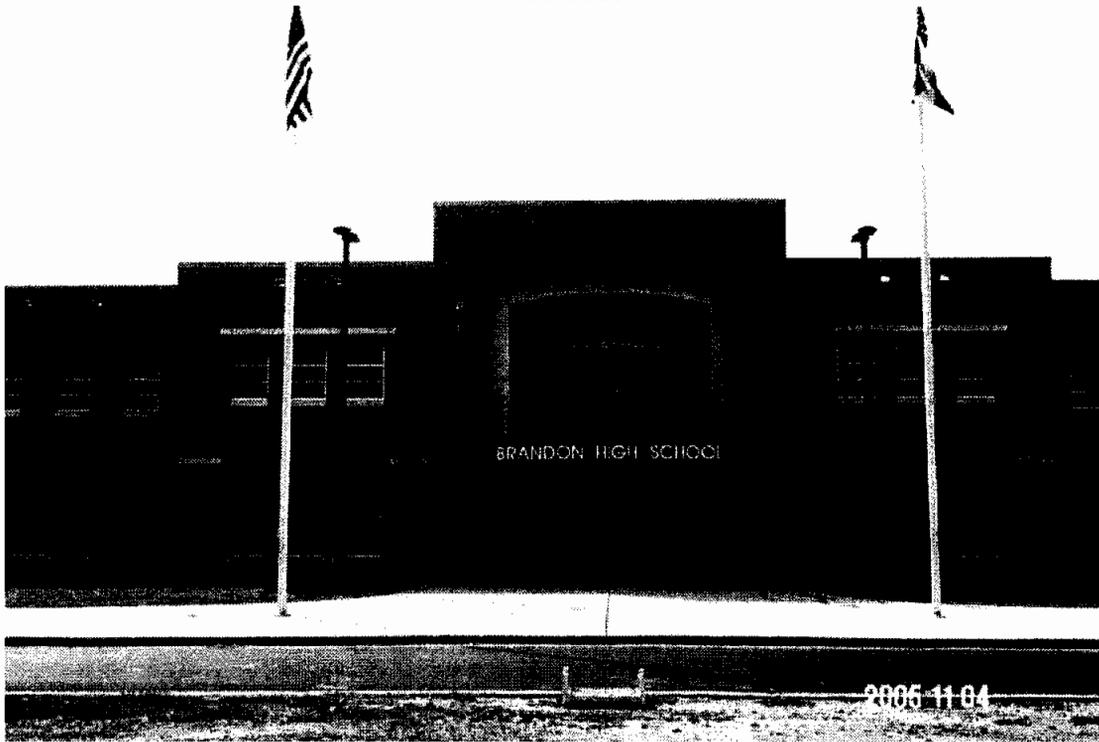
The discussion and analysis of Rankin County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's performance as a whole;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

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

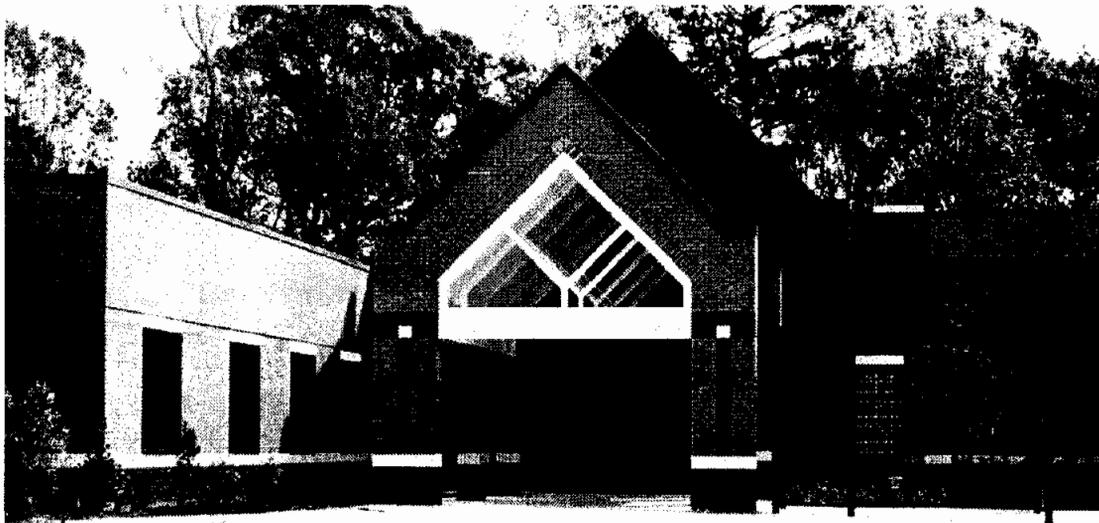
FINANCIAL HIGHLIGHTS

- Total net assets increased \$187,372, which represents a 0.26% increase from fiscal year 2004.
- General revenues account for \$98,476,056, or 84% of all revenues. This amount was more than the general revenues of \$91,907,835 for the year 2004, which were 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18,373,613 or 16% of total revenues compared with \$18,285,674 in 2004. See page 13 for details.
- The District had \$116,662,297 in expenses, compared with the \$100,995,474 in expenses for the prior year; only \$18,373,613 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$98,476,056 were adequate to provide for these programs.
- Among major funds, the General Fund had \$87,047,072 in revenues and \$85,871,618 in expenditures. In 2004 the General Fund had \$82,043,747 in revenues and \$79,071,731 in expenditures. The General Fund's fund balance decreased \$77,396 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$25,131,398 due primarily to continuing construction of buildings relating to the 2001 bond issue and the 2004 note issue. Two new schools that opened in August 2005 are Brandon High School and Steen's Creek Elementary School. Pictures of these schools are located on page 9 of this report.
- Long-term debt decreased by \$6,932,521, due to payments on existing debt.

Rankin County School District
New Schools
06-30-2005



Brandon High School



Steen's Creek Elementary School

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 28, respectively.

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

The basic governmental fund financial statements can be found on page 22 and 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 29.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 44 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 46 - 48 of this report.

Additionally, a schedule of instructional, administrative and other expenditures - Governmental Funds have been incorporated on page 51 of this report. The schedule of federal awards is required by OMB Cir. A-133 and can be found on page 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$73,372,952 as of June 30, 2005.

By far the largest portion of the District's net assets (51%) reflects its investment in capital

assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

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

	<u>2005</u>	<u>2004</u>
Assets		
Current assets	\$ 40,547,903	\$ 74,824,117
Capital assets, net	<u>135,486,764</u>	<u>110,355,366</u>
Total assets	<u>176,034,667</u>	<u>185,179,483</u>
Liabilities		
Current liabilities	4,036,490	6,435,502
Long-term debt outstanding	<u>98,625,225</u>	<u>105,557,746</u>
Total liabilities	<u>102,661,715</u>	<u>111,993,248</u>
Net assets:		
Invested in capital assets, net of related debt	37,473,504	48,029,629
Restricted	23,523,456	14,015,908
Unrestricted	<u>12,375,992</u>	<u>11,140,698</u>
Total net assets	<u>\$ 73,372,952</u>	<u>\$ 73,186,235</u>

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

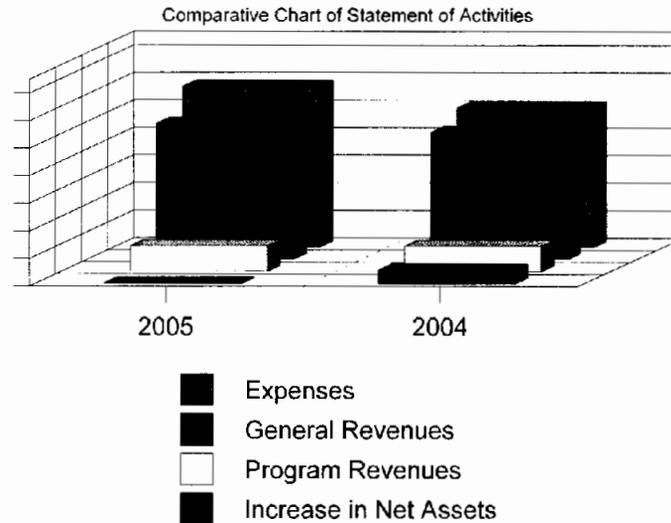
- The addition of \$28,588,798 in capital assets primarily from construction of new or renovated school buildings and from construction in progress expenditures for new or renovated school buildings.
- The repayment of \$7,555,155 in debt.
- The net reduction of \$31,478,281 in fund balances of governmental funds.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$116,849,669. The total cost of all programs and services was \$116,662,297.

The following page shows a table that presents a summary of the changes in net assets for the fiscal year ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 18,373,613	\$ 18,285,674
General revenues	<u>98,476,056</u>	<u>91,907,835</u>
Total revenues	<u>116,849,669</u>	<u>110,193,509</u>
Expenses:		

Instruction	33,177,491	59,149,689
Support services	33,245,238	32,564,004
Non-instructional	44,496,134	4,714,500
Sixteenth section	245,293	219,841
Interest on long-term liabilities	<u>5,498,141</u>	<u>4,347,440</u>
Total expenses	<u>116,662,297</u>	<u>100,995,474</u>
Special Item Inflow	<u>0</u>	<u>476,464</u>
Increase in net assets	\$ <u>187,372</u>	\$ <u>9,674,499</u>

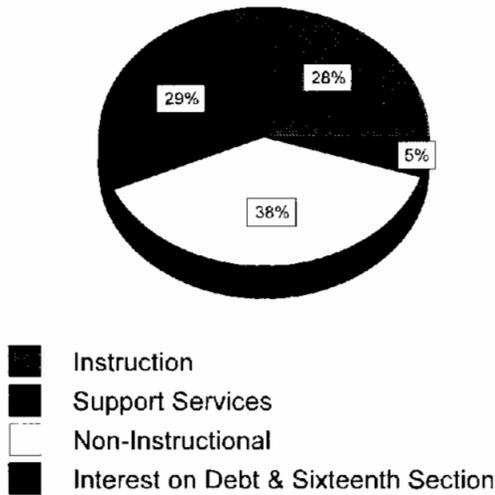


The MAEP revenue was reclassified from account 8003211 to 8003150 to show compliance with the Mississippi Financial Accounting Manual. This affected the way in which the revenue is presented in the Statement of Operating Activities (Government-Wide). The revenue has been reclassified in the year 2004 for comparative purposes.

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

	<u>Total Expenses</u>	<u>Net(Expense) Revenue</u>
Instruction	\$ 33,177,491	\$ (23,149,745)
Support services	33,245,238	(32,928,347)
Non-instructional	44,496,134	(36,778,160)
Sixteenth section	245,293	65,709
Interest on long-term liabilities	<u>5,498,141</u>	<u>(5,498,141)</u>
Total expenses	\$ <u>116,662,297</u>	\$ <u>(98,288,684)</u>

Expenses as per Statement of Activities



- Net cost of governmental activities \$98,288,684, was financed by general revenue, which is made up of primarily of unrestricted state grants of \$54,670,072 and property taxes \$39,008,780.
- Investment earnings accounted for \$682,625 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$37,918,089, a decrease of \$31,478,281, due primarily to a large part of the fund balance in the 2001 Bond Issue Fund and the 2004 Note Issue Fund being spent for construction during the year. In the General Fund, \$11,855,553, or 98.96% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. This fund balance is also used for cash flow shortages during the year.

The General Fund is the principal operating fund of the District. Its fund balance was \$11,979,849 at June 30, 2005 which reflected a decrease of \$77,396 from the previous fiscal year. The fund balance of the 2001 Bond Issue Fund was \$7,565,477, showing a decrease of \$22,823,880 for the fiscal year. The 2004 Note Issue Fund had a fund balance of \$2,441,008. The Sixteenth Section Principal Fund was a major fund for this fiscal year and showed an increase of \$624,472 with a fund balance of \$5,387,794. The fund balance of Other

Governmental Funds was \$10,543,961, which showed an increase of \$419,421 for the year ended June 30, 2005.

BUDGETARY HIGHLIGHTS

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

General Fund:

Budget amounts for revenue from local sources were increased mostly for the activity funds of the schools. The original budget underestimated the revenue of the activity funds. Likewise the budgeted amount for the expenditures were increased mostly for the activity funds of the schools. The original budget underestimated the expenditures of the activity funds.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is shown on page 46.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District's total capital assets were \$165,418,093, including land, school buildings, improvements other than buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$28,491,986 from the previous year. The primary reason for this increase was the use of the 2001 Bond Issue Fund and the 2004 Note Issue Fund for capital projects. Total accumulated depreciation as of June 30, 2005 was \$29,931,329 and total depreciation expense for the year was \$3,450,825, resulting in net capital assets of \$135,486,764.

Additional information of the District's capital assets can be found in Note 4 on page 39 of this report.

Debt Administration. At June 30, 2005, the District had \$86,280,000 in general obligation bonds outstanding and \$12,345,225 in other long-term debt outstanding, of which \$6,143,937 is due within one year.

The District maintains an A+ bond rating with Standard and Poor's.

Additional information of the District's long-term debt can be found in Note 5 on page 41 of this report.

CURRENT ISSUES AND OTHER INFORMATION

Rankin County School District is the third largest school district in the state of Mississippi, with a student population of approximately 16,500 students. The district consists of twenty-six schools in its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Enrollment has increased more than 1,000 students in the last three years.

Rankin County School District has committed itself to financial excellence for many years. This

is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting" and the "Certificate Recognizing Achievement in Fixed Asset Management", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. The District's system of financial planning, budgeting, and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2004 is \$838,539,802.

The district's operational tax millage rate for fiscal year 2005 is 39.06 mills and the debt service millage rate is 12.60 mills. The total millage rate of 51.66 mills is one of the lowest when compared to the other districts of the metro Jackson area and other districts of comparable enrollment. The table on the next page compares tax rates of these districts with the Rankin County School District.

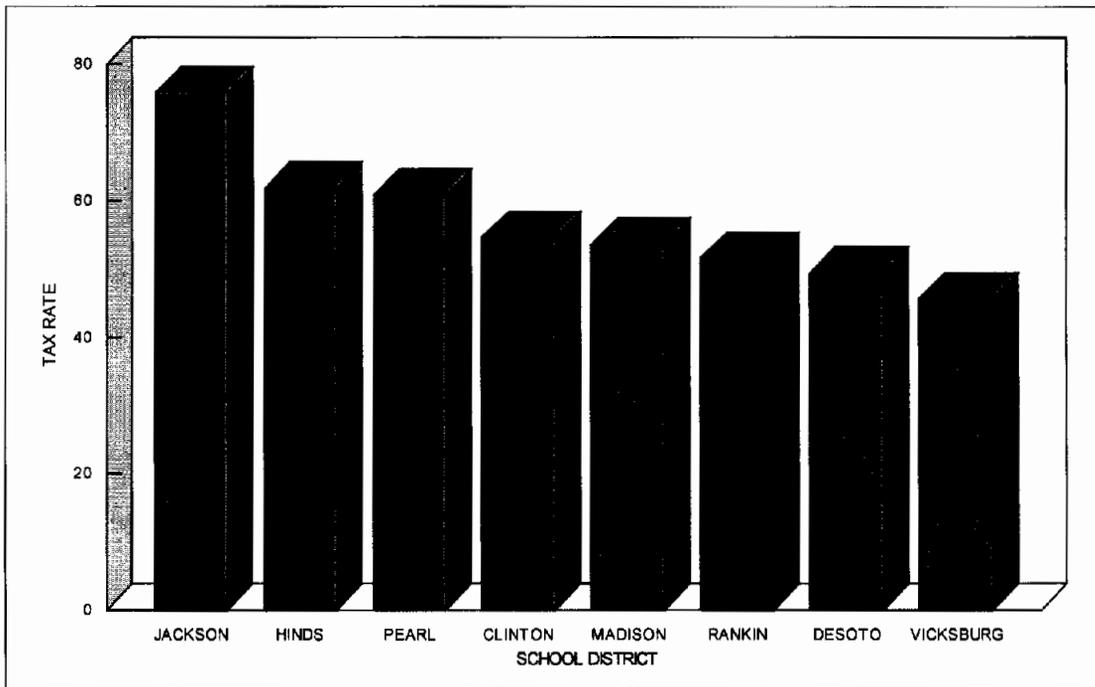
The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2005, the district maintenance fund balance was \$10,677,477, or 13% of total revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Rankin County School District, P. O. Box 1359, Brandon, MS 39043 .

**RANKIN COUNTY SCHOOL DISTRICT
COMPARISON OF TAX RATES
FOR FISCAL YEAR 2005**

SCHOOL DISTRICT	TAX RATE (MILLS)
JACKSON	75.70
HINDS	61.90
PEARL	60.87
CLINTON	54.57
MADISON	53.55
RANKIN	51.66
DESOTO	49.49
VICKSBURG	45.65



FINANCIAL STATEMENTS

RANKIN COUNTY SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

JUNE 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Assets:	
<i>Cash and cash equivalents</i>	\$ 32,274,367
<i>Due from other governments</i>	2,578,444
<i>Accrued interest receivable</i>	53,943
<i>Other receivables, net</i>	62,350
<i>Inventories and prepaid items</i>	223,602
<i>Restricted assets</i>	5,355,197
<i>Capital assets, net</i>	135,486,764
Total Assets	<u>176,034,667</u>
Liabilities:	
<i>Accounts payable and accrued liabilities</i>	2,563,308
<i>Deferred revenue</i>	66,506
<i>Interest payable on long-term liabilities</i>	1,406,676
Long-term liabilities (due within one year)	
<i>Capital related liabilities</i>	6,082,740
<i>Non-capital related liabilities</i>	61,197
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	91,930,520
<i>Non-capital related liabilities</i>	550,768
Total Liabilities	<u>102,661,715</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	37,473,504
Restricted For:	
School Based Activities	2,049,825
Debt Service	5,329,146
Capital Improvements	10,006,485
Forestry Improvements	470,287
Unemployment Benefits	279,919
Sixteenth Section	
Expendable	149,688
Nonexpendable	5,238,106
Unrestricted	12,375,992
Total Net Assets	<u>\$ 73,372,952</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions		
<i>Instruction</i>	33,177,491	4,388,122	3,846,287	1,793,337	(23,149,745)	
<i>Support services</i>	33,245,238	108,005	140,643	68,243	(32,928,347)	
<i>Noninstructional services</i>	44,496,134	6,640,665	--	1,077,309	(36,778,160)	
<i>Sixteenth section</i>	245,293	311,002	--	--	65,709	
<i>Interest on long-term liabilities</i>	5,498,141	--	--	--	(5,498,141)	
Total Primary Government	<u>\$ 116,662,297</u>	<u>\$ 11,447,794</u>	<u>\$ 3,986,930</u>	<u>\$ 2,938,889</u>	<u>(98,288,684)</u>	
General Revenues:						
Taxes:						
<i>General purpose levies</i>						28,265,735
<i>Debt purpose levies</i>						10,743,045
<i>Unrestricted grants and contributions:</i>						
<i>State</i>						54,670,072
<i>Federal</i>						173,423
<i>Unrestricted investment earnings</i>						682,625
<i>Sixteenth section sources</i>						3,825,045
<i>Other</i>						116,111
Total general revenues						<u>98,476,056</u>
Change in Net Assets						187,372
Net Assets- Beginning						<u>73,186,235</u>
Prior Period Adjustment						(655)
Net Assets - Restated						<u>73,185,580</u>
Net Assets- Ending						<u>\$ 73,372,952</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	General Fund	2001 Bond Issue Fund
ASSETS		
Assets:		
<i>Cash and other deposits</i>	\$ 9,777,923	\$ 9,295,186
<i>Investments</i>	--	--
<i>Due from other governments</i>	1,374,564	--
<i>Accrued interest receivable</i>	--	21,346
<i>Other receivables, net</i>	486	--
<i>Due from other funds</i>	727,981	--
<i>Inventories and prepaid items</i>	124,296	--
Total Assets	\$ 12,005,250	\$ 9,316,532
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 1,966	\$ 1,751,055
<i>Due to other funds</i>	--	--
<i>Deferred revenue</i>	22,435	--
<i>Other payables</i>	1,000	--
Total Liabilities	25,401	1,751,055
Fund balances:		
Reserved for:		
<i>Inventory</i>	--	--
<i>Prepaid items</i>	124,296	--
Unreserved, undesignated, reported in:		
<i>General fund</i>	11,855,553	--
<i>Special revenue fund</i>	--	--
<i>Capital projects fund</i>	--	7,565,477
<i>Debt service fund</i>	--	--
<i>Permanent funds</i>	--	--
Total Fund Balances	11,979,849	7,565,477
Total Liabilities and Fund Balances	\$ 12,005,250	\$ 9,316,532

The accompanying notes are an integral part of this statement.

2004 Note Issue Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,061,650	\$ 1,371,306	\$ 10,139,608	\$ 33,645,673
--	3,983,891	--	3,983,891
--	--	1,098,517	2,473,081
--	32,597	--	53,943
--	--	61,864	62,350
--	--	60,531	788,512
--	--	99,306	223,602
<u>\$ 3,061,650</u>	<u>\$ 5,387,794</u>	<u>\$ 11,459,826</u>	<u>\$ 41,231,052</u>
\$ 620,642	\$ --	\$ 188,645	\$ 2,562,308
--	--	683,149	683,149
--	--	44,071	66,506
--	--	--	1,000
<u>620,642</u>	<u>--</u>	<u>915,865</u>	<u>3,312,963</u>
--	--	99,064	99,064
--	--	242	124,538
--	--	--	11,855,553
--	--	4,659,131	4,659,131
2,441,008	--	--	10,006,485
--	--	5,785,524	5,785,524
--	5,387,794	--	5,387,794
<u>2,441,008</u>	<u>5,387,794</u>	<u>10,543,961</u>	<u>37,918,089</u>
<u>\$ 3,061,650</u>	<u>\$ 5,387,794</u>	<u>\$ 11,459,826</u>	<u>\$ 41,231,052</u>

RANKIN COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances - governmental funds balance sheet	\$ 37,918,089
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	135,486,764
Payables for long term liabilities due in one year are not reported in the funds.	(6,143,937)
Payables for bond principal which are not due in the current period are not reported in the funds.	(81,730,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(285,520)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,406,676)
Payables for notes which are not due in the current period are not reported in the funds.	(9,915,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(550,768)
Net assets of governmental activities - statement of net assets	\$ <u>73,372,952</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	2001 Bond Issue Fund
Revenue:		
<i>Local sources</i>	\$ 32,424,000	\$ 151,145
<i>State sources</i>	54,415,988	--
<i>Federal sources</i>	207,084	--
<i>Sixteenth section sources</i>	--	--
Total revenues	<u>87,047,072</u>	<u>151,145</u>
Expenditures:		
<i>Instruction</i>	54,550,459	--
<i>Support services</i>	29,200,669	1,073,303
<i>Noninstructional services</i>	1,328,935	--
<i>Sixteenth section</i>	--	--
<i>Facilities acquisition and construction</i>	394,216	23,315,791
Debt service:		
<i>Principal</i>	397,339	--
<i>Other</i>	--	15,931
Total expenditures	<u>85,871,618</u>	<u>24,405,025</u>
Excess (deficiency) of revenues (under) expenditures	1,175,454	(24,253,880)
Other financing sources (uses):		
<i>Inception of capital leases</i>	555,084	--
<i>Insurance loss recoveries</i>	24,080	--
<i>Sale of transportation equipment</i>	411	--
<i>Sale of other property</i>	2,969	--
<i>Operating transfers in</i>	7,792,500	1,430,000
<i>Operating transfers out</i>	(9,627,894)	--
Total other financing sources (uses)	<u>(1,252,850)</u>	<u>1,430,000</u>
Net Change in Fund Balance	(77,396)	(22,823,880)
Fund Balances:		
July 1, 2004	12,057,245	30,389,357
Increase (decrease) in reserve for inventory	--	--
June 30, 2005	<u>\$ 11,979,849</u>	<u>\$ 7,565,477</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

2004 Note Issue Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 249,893	\$ --	\$ 13,637,672	\$ 46,462,710
--	--	2,797,831	57,213,819
--	--	8,827,451	9,034,535
--	734,243	3,401,804	4,136,047
<u>249,893</u>	<u>734,243</u>	<u>28,664,758</u>	<u>116,847,111</u>
--	--	4,041,123	58,591,582
98,637	--	2,925,655	33,298,264
--	--	5,972,553	7,301,488
--	--	245,293	245,293
9,711,454	--	3,427,634	36,849,095
--	--	7,157,816	7,555,155
60,700	--	4,991,099	5,067,730
<u>9,870,791</u>	<u>--</u>	<u>28,761,173</u>	<u>148,908,607</u>
(9,620,898)	734,243	(96,415)	(32,061,496)
--	--	--	555,084
--	--	--	24,080
--	--	--	411
--	--	671	3,640
--	--	3,778,733	13,001,233
--	(109,771)	(3,263,568)	(13,001,233)
<u>--</u>	<u>(109,771)</u>	<u>515,836</u>	<u>583,215</u>
(9,620,898)	624,472	419,421	(31,478,281)
12,061,906	4,763,322	10,125,008	69,396,838
--	--	(468)	(468)
<u>\$ 2,441,008</u>	<u>\$ 5,387,794</u>	<u>\$ 10,543,961</u>	<u>\$ 37,918,089</u>

RANKIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ (31,478,281)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	28,588,798
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,450,825)
The gain or loss on the sale of capital assets is not reported in the funds.	(1,869)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(4,051)
Decrease in inventory is an adjustment to fund balance in the funds but not in SOA	(468)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	5,505,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	368,824
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	1,681,331
(Increase) decrease in accrued interest from beginning of period to end of period	(430,411)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(67,550)
Proceeds of long term liabilities are reported in the funds, not in SOA	(555,084)
Other reconciling items	31,958
Change in net assets of governmental activities - statement of activities	<u>\$ 187,372</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency Funds
ASSETS	
<i>Cash and other deposits</i>	\$ 4,498,871
Total Assets	\$ 4,498,871
LIABILITIES	
<i>Accounts payable and accrued liabilities</i>	\$ 4,074,268
<i>Due to student clubs</i>	319,240
<i>Due to other funds</i>	105,363
Total Liabilities	\$ 4,498,871

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended
June 30, 2005

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government Wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-Wide Statements of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Rankin County School District

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

General Fund - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

2001 Bond Issue Fund- This fund is used to account for construction and renovations financed by the 2001 Bond Issue.

2004 Note Issue Fund- This fund is used to account for construction and renovations financed by a \$12,000,000 three-mill ten year note.

Sixteenth Section Principal Fund - This fund is used to account for

Rankin County School District

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

resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent Funds - Permanent Funds are used to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Accordingly, no encumbrances

Rankin County School District

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

were outstanding at year-end.

F. Cash and Cash Equivalents.

The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected. Cash and cash equivalents consist of amounts on deposit in demand account and certificates of deposit with maturities of twelve months or less. Cash and cash equivalents are valued at cost.

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following scale details those

Rankin County School District

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

thresholds.

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

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-Wide Financial Statements:

Rankin County School District

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

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

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

Fund Financial Statements:

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

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

Rankin County School District

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

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents.

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$33,645,673 and \$4,498,871 respectively. The carrying amount of deposits reported in the government wide statements was: Cash and Cash Equivalents \$32,274,367 and Restricted Assets \$5,355,197. The Restricted Assets represent the investment and cash balance of the Sixteenth Section Principal funds (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$41,059,141.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the district's bank balance of \$41,059,141 was exposed to custodial credit risk.

Rankin County School District

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

Investments.

As of June 30, 2005, the district had the following investments in the investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
US Government Bonds-			
Fed Ntl Mtg. Assoc.	12-27-07	\$ 1,000,000	AAA
Fed Farm Cr Bks Cons System	04-12-07	702,891	AAA
Fed Home Ln Bk Cons	04-23-09	1,136,000	AAA
Fed Home Ln Bk Cons	10-29-08	<u>1,145,000</u>	AAA
Total Investments		<u>\$ 3,983,891</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover the value of its investments. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2005, \$3,983,891 of the district's bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by pledging bank's trust department not in the district's name	<u>3,983,891</u>
Total	<u>\$ 3,983,891</u>

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

Issuer	Fair Value	% of Total Investments
US Government Bonds-Rating AAA	<u>\$ 3,983,891</u>	100%

Rankin County School District

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

\$ 3,983,891

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Major funds:		
General fund	\$ 727,981	0
Non-major funds	60,531	683,149
Agency funds	0	105,363
Total Funds	<u>\$ 788,512</u>	<u>788,512</u>

The purpose of the Due From/To other funds balances was to provide funds for operating purposes. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Major funds:		
General fund	\$ 7,792,500	9,627,894
2001 Bond Issue Fund	1,430,000	0
Permanent Fund	0	109,771
Non-major Funds	<u>3,778,733</u>	<u>3,263,568</u>
Total Funds	<u>\$ 13,001,233</u>	<u>13,001,233</u>

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

Rankin County School District

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

	Balance 7-1-2004	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2005
Non-depreciable capital assets:						
Land	\$ 5,674,376	160,162	0	0	0	5,834,538
Construction in progress	36,432,859	26,133,342	0	(36,701,501)	0	25,864,700
Total non-depreciable capital assets	<u>42,107,235</u>	<u>26,293,504</u>	<u>0</u>	<u>(36,701,501)</u>	<u>0</u>	<u>31,699,238</u>
Depreciable capital assets:						
Buildings	81,771,993	0	0	36,701,501	0	118,473,494
Improvements other than bldgs.	964,312	587,302	0	0	0	1,551,614
Mobile equipment	9,035,438	743,192	26,930	0	(800)	9,750,900
Furniture and equipment	3,047,129	964,800	69,082	0	0	3,942,847
Total depreciable capital assets	<u>94,818,872</u>	<u>2,295,294</u>	<u>96,012</u>	<u>36,701,501</u>	<u>(800)</u>	<u>133,718,855</u>
Less accumulated depreciation for:						
Buildings	19,065,418	2,327,254	0	0	0	21,392,672
Improvements other than bldgs.	453,740	48,990	0	0	0	502,730
Mobile equipment	4,770,447	717,201	24,812	0	(145)	5,462,691
Furniture and equipment	2,281,136	357,380	65,280	0	0	2,573,236
Total accumulated depreciation	<u>26,570,741</u>	<u>3,450,825</u>	<u>90,092</u>	<u>0</u>	<u>(145)</u>	<u>29,931,329</u>
Total depreciable capital assets, net	<u>68,248,131</u>	<u>(1,155,531)</u>	<u>5,920</u>	<u>36,701,501</u>	<u>(655)</u>	<u>103,787,526</u>
Governmental activities capital assets, net	<u>\$ 110,355,366</u>	<u>25,137,973</u>	<u>5,920</u>	<u>0</u>	<u>(655)</u>	<u>135,486,764</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$2,415,576
Support services	690,165
Non-instructional	345,084
Total depreciation expense	<u>\$3,450,825</u>

The adjustments were made to correctly reflect capital assets at year end, as some were under the capitalization threshold amount.

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

	Remaining Commitment	Required Future Financing
Brandon High School - renovate Stevens building	\$ 489,959	0
Brandon High School - new building	3,559,315	0
Florence Middle School - gym	1,773,984	0
McLaurin High School - renovation	284,887	0
Pisgah Elementary School - renovations	191,792	0
Pisgah High School - renovate gym	554,878	0

Rankin County School District

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

Richland High School - cafeteria renovation	124,897	0
Richland High School - 7 th & 8 th grade addition	38,094	0
Steen's Creek Elementary School - new building	457,042	
 Total	<u>\$ 7,474,848</u>	<u>0</u>

(5) Long-term Liabilities.

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

	Balance 7-1-2004	Additions	Reductions	Adjustments	Balance 6-30-2005	Amounts due within one year
A. General obligation bonds payable	\$ 90,610,000	0	4,330,000	0	86,280,000	4,550,000
B. Limited obligation bonds payable	1,175,000	0	1,175,000	0	0	0
C. Shortfall notes payable	236,331	0	236,331	0	0	0
D. Ten year note payable	12,000,000	0	1,025,000	0	10,975,000	1,060,000
E. Obligations under capital leases	572,000	555,084	368,824	0	758,260	472,740
F. Other loans payable	420,000	0	420,000	0	0	0
G. Compensated absences payable	544,415	67,550		0	611,965	61,197
 Total	<u>\$ 105,557,746</u>	<u>622,634</u>	<u>7,555,155</u>	<u>0</u>	<u>98,625,225</u>	<u>6,143,937</u>

A. General Obligation Bonds Payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General obligation bonds, Series 1998	Varies	06-01-98	02-01-15	\$ 33,045,000	22,165,000
General obligation bonds, Series 2002	Varies	03-06-02	10-01-20	<u>69,350,000</u>	<u>64,115,000</u>
 Total				<u>\$ 102,395,000</u>	<u>86,280,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	4,550,000	4,313,456	8,863,456
2007	4,750,000	4,107,531	8,857,531

Rankin County School District

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

2008	4,950,000	3,883,081	8,833,081
2009	5,145,000	3,641,506	8,786,506
2010	5,515,000	3,380,631	8,895,631
2011-2015	31,815,000	12,249,394	44,064,394
2016-2020	<u>29,555,000</u>	<u>4,635,106</u>	<u>34,190,106</u>
Total	\$86,280,000	\$36,210,705	\$122,490,705

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 10.29% of property assessments as of October 31, 2004. This debt will be retired from the 1998 Refunding Bond Issue Fund and the 2001 Bond Issue Fund.

B. Limited Obligation Bonds Payable.

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. There are no limited obligation bonds currently outstanding. The debt was paid out during the fiscal year.

C. Shortfall Note Payable.

This debt was paid out during the fiscal year.

D. Three mill ten year Note Payable.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2004 Three Mill Note	3.13%	2/20/04	03/1/14	\$12,000,000	\$10,975,000

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

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	1,060,000	327,276	1,387,276
2007	1,095,000	296,320	1,391,320
2008	1,135,000	264,239	1,399,239
2009	1,175,000	229,589	1,404,589
2010	1,215,000	193,739	1,408,739
2011-2015	<u>5,295,000</u>	<u>346,344</u>	<u>5,641,344</u>
Total	\$10,975,000	\$1,657,507	\$12,632,507

Rankin County School District

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

This debt will be retired from the 2004 3 Mil 10 Year Debt Service Fund.

E. Obligations under Capital Leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of computer products. The various options available to the lessee for this lease are as follows:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.

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

Year Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	472,740	21,661	494,401
2007	188,757	8,021	196,778
2008	<u>96,763</u>	<u>1,626</u>	<u>98,389</u>
Total	\$758,260	\$31,308	\$789,568

This debt will be retired from the district maintenance fund.

F. Other Loans Payable.

There is no debt currently outstanding. The debt was paid out during the fiscal year.

G. Compensated Absences.

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

(6) Defined Benefit Pension Plan.

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

Rankin County School District

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

Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$6,046,965, \$5,497,056, and \$4,925,462, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

Operating Leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators

Lease expenditures for the year ended June 30, 2005, amounted to \$204,084. Future lease payments for these leases are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2006	\$179,653
2007	130,656
2008	<u>40,734</u>
Total	\$351,043

(8) Sixteenth Section Lands.

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

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Rankin County School District

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

Year Ending June 30	Amount
2006	\$ 735,031
2007	718,324
2008	713,702
2009	698,902
2010	693,728
2011 - 2015	3,170,411
2016 - 2020	3,136,256
2021 - 2025	3,132,980
2026 - 2030	2,862,088
Thereafter	3,402,336
Total	\$ <u>19,263,758</u>

(10) Risk Management.

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

Participation in Public Entity Risk Pool.

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

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Rankin County School District

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To appropriately reflect retirement of asset	\$ 655
Total	<u>\$ 655</u>

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2005

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 31,187,531	31,942,531	32,424,000	755,000	481,469
State sources	54,247,563	54,247,563	54,415,988	0	168,425
Federal sources	158,000	158,000	207,084	0	49,084
Total Revenues	85,593,094	86,348,094	87,047,072	755,000	698,978
Expenditures:					
Instruction	54,807,304	55,473,606	54,550,459	(666,302)	923,147
Support services	28,811,639	28,832,738	29,200,669	(21,099)	(367,931)
Noninstructional services	1,163,568	1,329,468	1,328,935	(165,900)	533
Facilities acquisition and construction	212,000	212,000	394,216	0	(182,216)
Debt Service					
Principal	497,195	447,715	397,339	49,480	50,376
Interest	0	0	0	0	0
Total Expenditures	85,491,706	86,295,527	85,871,618	(803,821)	423,909
Excess (Deficiency) of Revenues Over Expenditures	101,388	52,567	1,175,454	(48,821)	1,122,887
Other Financing Sources (Uses):					
Inception of Capital Leases	558,050	558,050	555,084	0	(2,966)
Insurance Loss Recoveries	25,000	25,000	24,080	0	(920)
Sale of Transportation Equipment	2,000	2,000	411	0	(1,589)
Sale of Other Property	4,000	4,000	2,969	0	(1,031)
Operating Transfers In	7,723,762	7,723,762	7,792,500	0	68,738
Operating Transfers Out	(9,372,335)	(9,372,335)	(9,627,894)	0	(255,559)
Total Other Financing Sources (Uses)	(1,059,523)	(1,059,523)	(1,252,850)	0	(193,327)
Net Change in Fund Balances	(958,135)	(1,006,956)	(77,396)	(48,821)	929,560
Fund Balances:					
July 1, 2004	10,521,000	10,521,000	12,057,245	0	1,536,245
June 30, 2005	\$ 9,562,865	9,514,044	11,979,849	(48,821)	2,465,805

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

NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION

Rankin 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 fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Rankin County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/		
Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$532,252
Child Nutrition Cluster:		
School Breakfast Program	10.553	288,807
National School Lunch Program	10.555	2,071,987
Total child nutrition cluster		<u>2,360,794</u>
Total passed-through the MDE		<u>2,893,046</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,893,046</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	441,718
Total Other Federal Assistance		<u>441,718</u>
U. S. DEPARTMENT OF EDUCATION/		
Passed-through the Mississippi Department of Education:		
Adult Education- State Grant Program	84.002	291,215
Title I Grants to Local Educational Agencies	84.010	1,716,091
Vocation Education - Basic Grant to States	84.048	154,325
Safe and Drug Free Schools and Communities - State Grants	84.186	35,239
Twenty-First Century Community Learning Centers	84.287	556,970
State Grants for Innovative Programs	84.298	37,635
Education Technology State Grants	84.318	748,984
Total		<u>3,540,459</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	2,061,526
Special Education - Preschool Grants	84.173	41,028
Total special education cluster		<u>2,102,554</u>
Total passed-through the MDE		<u>5,643,013</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>5,643,013</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$8,977,777</u>

Notes to Schedule

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

Schedule 2

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

Expenditures	Total	Instruction	Administrative	Other
Salaries and fringe benefits	\$ 81,602,650	55,256,879	8,408,262	17,937,508
Other	67,305,959	3,334,703	1,030,306	62,940,949
Total	\$ 148,908,607	58,591,582	9,438,568	80,878,457
Total number of students *	16,227			
Cost per student	\$ 9,177	3,611	582	4,984

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

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

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

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

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

October 20, 2005
Superintendent and School Board
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2005, and have issued my report thereon dated October 20, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

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



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

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

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

October 20, 2005
Superintendent and School Board
Rankin County School District

Compliance

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

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

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

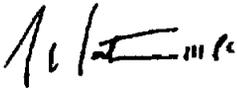
Internal Control Over Compliance

The management of the Rankin County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I did not note any matters involving internal control over compliance and its operation that I consider to be material weaknesses.

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



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

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

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

October 20, 2005
Superintendent and School Board
Rankin County School District

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

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$98,535.69 of classroom supply funds carried over from previous years.

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

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



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

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Rankin 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 weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA # 10.553
CFDA # 10.555
 - b. Special Education Cluster:
CFDA # 84.027
CFDA # 84.173
 - c. Title I Grants to Local Educational Agencies:
CFDA # 84.010
 - d. Education Technology - State Grants
CFDA # 84.318
 - e. 21st Century Community Learning Centers
CFDA # 84.287

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

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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